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# INDEPENDENT OFFICES APPROPRIATIONS FOR 1966

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## HEARINGS

BEFORE A

## SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON INDEPENDENT OFFICES

ALBERT THOMAS, Texas, *Chairman*

JOE L. EVINS, Tennessee
EDWARD P. BOLAND, Massachusetts
GEORGE E. SHIPLEY, Illinois
ROBERT N. GIAIMO, Connecticut
CHARLES R. JONAS, North Carolina
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G. HOMER SKARIN, *Staff Assistant to Subcommittee*

**PART 3**

**Civil Defense**
**Emergency Health Activities**
**Federal Power Commission**
**Federal Trade Commission**
**Office of Emergency Planning**
**Veterans Administration**
**Testimony of Members of Congress, Interested Individuals and Organizations**

Printed for the use of the Committee on Appropriations

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WASHINGTON : 1965

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# INDEPENDENT OFFICES APPROPRIATIONS FOR 1966

TUESDAY, MARCH 16, 1965.

## VETERANS ADMINISTRATION

### WITNESSES

W. J. DRIVER, ADMINISTRATOR
C. F. BRICKFIELD, DEPUTY, ADMINISTRATOR
A. H. MONK, ASSOCIATE DEPUTY ADMINISTRATOR
A. T. McANSH, ASSISTANT DEPUTY ADMINISTRATOR
J. D. SHYTLE, CONTROLLER
V. P. MILLER, DIRECTOR, BUDGET SERVICE
B. E. TURNER, ASSISTANT ADMINISTRATOR FOR MANAGEMENT AND EVALUATION
E. J. GORMAN, MANAGER, ADMINISTRATIVE SERVICES
W. O. UNDERWOOD, ASSISTANT ADMINISTRATOR FOR PERSONNEL
R. C. FABLE, JR., GENERAL COUNSEL
J. W. STANCIL, CHAIRMAN, BOARD OF VETERANS APPEALS
F. R. HOOD, DIRECTOR, INFORMATION SERVICE
C. C. COOK, DIRECTOR, SUPPLY MANAGEMENT SERVICE

### ASSISTANT ADMINISTRATOR FOR CONSTRUCTION

W. ASHBRIDGE, ASSISTANT ADMINISTRATOR FOR CONSTRUCTION
L. G. SCHWEICKART, EXECUTIVE ASSISTANT
J. C. GARVER, CHIEF, PROGRAM CONTROL DIVISION
C. F. HEGNER, MANAGER OF OPERATIONS
C. W. DUGGAR, CHIEF, BUDGET AND ACCOUNTING SECTION
F. J. BURNS, BUDGET ANALYST

### DEPARTMENT OF DATA MANAGEMENT

P. J. BUDD, CHIEF DATA MANAGEMENT DIRECTOR
C. B. DRINKARD, EXECUTIVE ASSISTANT

### DEPARTMENT OF MEDICINE AND SURGERY

DR. J. H. McNINCH, CHIEF MEDICAL DIRECTOR
DR. M. J. MUSSER, DEPUTY CHIEF MEDICAL DIRECTOR
DR. L. A. ZINK, ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR
DR. A. J. KLIPPEN, CONTROLLER, DEPARTMENT OF MEDICINE AND SURGERY
R. W. WISE, DIRECTOR, BUDGET SERVICE, DEPARTMENT OF MEDICINE AND SURGERY
DR. O. K. TIMM, ASSISTANT CHIEF MEDICAL DIRECTOR FOR PROFESSIONAL SERVICES

DR. B. B. WELLS, ASSISTANT CHIEF MEDICAL DIRECTOR FOR RESEARCH AND EDUCATION IN MEDICINE
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DR. C. P. HENKE, ACTING ASSISTANT CHIEF MEDICAL DIRECTOR FOR PLANS AND COORDINATION
DR. E. C. GLUCKMAN, DIRECTOR, HOSPITAL CONSTRUCTION SERVICE
DR. J. M. BUCHANAN, DIRECTOR, SYSTEMS AND STANDARDS
W. M. McCOY, DIRECTOR, ADMINISTRATIVE SERVICES
R. H. BUCKNELL, DIRECTOR, VETERANS CANTEEN SERVICE
D. I. ROSEN, DIRECTOR, REPORTS AND STATISTICS SERVICE
D. P. WHITWORTH, DIRECTOR, SUPPLY SERVICE

DEPARTMENT OF VETERANS' BENEFITS

A. W. STRATON, CHIEF BENEFITS DIRECTOR
A. W. FARMER, DEPUTY CHIEF BENEFITS DIRECTOR
J. C. PECKARSKY, DIRECTOR, COMPENSATION, PENSION, AND EDUCATION SERVICE
E. R. SILBERMAN, CONTROLLER DEPARTMENT OF VETERANS BENEFITS
J. M. DERVAN, DIRECTOR, LOAN GUARANTY SERVICE
E. A. ECHOLS, ACTING DEPUTY DIRECTOR, LOAN GUARANTY SERVICE
L. M. WALLACE, DIRECTOR, INSURANCE SERVICE
W. A. POISSANT, CHIEF ACTUARY
T. KIERNAN, DEPUTY DIRECTOR, UNDERWRITING ACCOUNTS AND INSURANCE CLAIMS

Mr. EVINS. The committee will come to order.

Chairman Thomas has asked that I conduct the hearings on the Veterans' Administration appropriation. We are pleased to see our friends. A new Administrator has been confirmed. As our chairman would say, we confirmed him here before they did in the Senate.

GENERAL STATEMENT

Mr. Administrator, have you a statement for us? We shall be pleased to hear you.

Mr. DRIVER. Yes, sir; I have.

Mr. EVINS. Would you like to put it all in the record or read it? You may proceed as you wish.

Mr. DRIVER. I can insert the statement in the record and summarize it for you, if that is agreeable.

Mr. EVINS. You might highlight it in some detail.

Mr. DRIVER. Thank you, sir.

(The statement follows:)

Mr. Chairman and gentlemen of the committee, I am honored to appear before you today with my staff to explain our 1966 appropriation requirements and supplementals proposed for 1965.

I have for many years been impressed with the insight and interest of this committee in veterans' affairs. I am also keenly aware of the magnitude of your responsibilities in reviewing and reaching conclusions on budget requirements for a large number of varied and complex Federal programs.

Each year we strive to improve our budget presentation in terms of clarity and ease of reference to essential elements. Our four-volume presentation this year is an attempt to provide you more data in a more meaningful manner. We will always welcome suggestions you may have for further improvement.

Our appropriation estimates for fiscal year 1966 total $5,682,708,000. This includes $1,400,000, for "Construction of the Corregidor-Bataan Memorial" which is being considered by the Interior Subcommittee. Aside from the "Corregidor-Bataan Memorial" item, our 1966 request represents an increase of $81,601,000 over appropriations and proposed supplementals for 1965. By broad program categories, there are increases of approximately $58 million in veterans' benefit payments and $29 million in medical services and construction, offset by a decrease of nearly $5 million in "General operating expenses." A comparative summary of these estimates is provided in the accompanying table.

Before discussing our requirements by appropriation, I would like to turn briefly to consideration of program trends and operational changes in their broader aspects. There are a number of fundamental factors that influence changing program requirements. As we recede further in time from World War II and the Korean conflict, certain readjustment benefits are expiring. The advancing average age of the veteran population influences our pension and medical care programs. Coupled with these factors, advancing administrative technology, particularly in the area of automated data processing, necessitates organizational and functional realinement to achieve fully the potentials for increased productivity and reduced operating costs.

In the area of the veterans' benefits programs, our workloads are declining, except for the initial impact of implementing Public Law 88–664 which provides for revised pension rates and limited reopening of national service life insurance. This fact, coupled with continuing refinement in administrative procedures and expansion of automatic data processing, has made it feasible to consolidate further regional office activities without impairment of service to veterans. Our budget estimates for 1966 reflect the merger of 17 additional regional offices by June 30 of this year.

Our medical programs reflect changing requirements related to the aging veteran population and continuing advancement in medical technology. Our 1966 budget includes additional costs related to implementation of Public Law 88–450 which provides for nursing home care in Veterans' Administration facilities and in State and private facilities. Our budget also reflects additional costs for new treatment programs that are becoming available for care, particularly of older veterans with chronic diseases. These additional costs are partially offset by closing of 11 hospitals. Savings are also reflected from closing of four domiciliaries, which becomes possible with expanding nursing care beds and increasing financial resources of aging veterans in the form of pension, social security, and other retirement plans which permit them to avail themselves of community facilities. From the standpoint of total medical services to veterans, there will be no appreciable change in the number of available beds. In fact, expansion in the number of nursing care beds will contribute to an improved turnover rate in hospital beds and treatment of more patients in 1966 than planned for 1965.

As we face continuing changes in program requirements, we are making every effort to adapt administrative operations in such a way that we can achieve maximum program benefits at the lowest possible cost. I believe our 1966 appropriation requests are consistent with this objective and reflect prudent estimates of requirements essential to maintaining the quality of service to veterans intended by the Congress.

Turning now to our estimates by appropriation, I will first discuss our requirements under "General operating expenses."

## GENERAL OPERATING EXPENSES

The "General operating expenses" appropriation supports General Administration, the Department of Data Management, and the Department of Veterans' Benefits. Our request of $158 million for 1966 is a reduction of $4,870,000, from the appropriation and proposed supplemental for the current year. Decreased appropriation requirements of approximately $4 million for the Department of Veterans' Benefits and $1,500,000 for the Department of Data Management are partially offset by an increased requirement of $800,000 in General Administration.

*General Administration*

General Administration comprises my immediate office and agency staff services. Our estimated requirements under this heading exceed those for the current year by $786,000, attributable largely to an increase of 48 in average employment. Twenty-four of this increase in average employment results from centralization of the fiscal audit function from the departments of Data Management, Veterans Benefits, and Medicine and Surgery to the Office of Controller. Corresponding decreases in employment are reflected in the departments. The remaining increase of 24 employees is attributable to increasing workloads in the Board of Veterans' Appeals. Employment in all other staff offices remains constant.

*Department of Data Management*

I am pleased to report that, on the basis of nearly 2 years' experience, our decision to concentrate all automatic data processing activities in one department is proving to be sound. Additional costs in the Department of Data Management in 1966 of approximately $2 million reflect completion of data processing branch consolidations, implementation of additional data processing systems, and some increase in research and development effort to extend application of ADP systems.

In terms of appropriation requirements, the budget reflects a decrease from the current year of $1,460,000. This results from our decision to begin distribution of data processing costs to appropriations and other funds that are served. Our 1966 budget anticipates reimbursements of nearly $4 million from the medical programs and $260,000 from the veterans' reopening insurance fund for data processing services.

During the course of our hearings, I would like to show you some of our accomplishments in the area of the data processing, as well as our plans for the future. At this point, I will only take time for a few highlights:

Last January we paid the regular 1965 insurance dividend on an accelerated basis. It took 6 days and cost only $23,000. Under our 1961 manual system, payments were spread over the entire year at a cost of approximately $1,400,000.

The ADP system for payment of compensation and pensions which was installed in 1959 enabled us to adjust payments required under Public Law 88–664 for more than 1 million veterans at a cost of approximately $1,750,000 less than would have been required under the manual system. On a case basis, the cost with the computer is approximately 13 cents compared with $1.69 on a manual basis.

Installation of an agencywide personnel and accounting integrated data system, referred to as PAID, is underway and will be completed by the end of fiscal year 1966. This system will centralize salary payments of all Veterans Administration employees at Hines, Ill., and integrate personnel payroll and related fiscal and accounting functions. So far as we know, it will represent the largest single biweekly automated pay system in existence. The 1966 budget reflects a reduction of $550,000, attributable to this system. We anticipate that full implementation will ultimately produce annual savings in the magnitude of $2 million. In addition, it will provide the nucleus of a total management information system.

Our budget sets forth all other major automated ADP projects in the process of installation or development. We will be pleased to discuss them in greater detail.

*Department of Veterans Benefits*

Appropriation requirements in 1966 for the Department of Veterans Benefits are estimated at $131,469,000, which is a reduction of $4,171,000 below those for the current year.

I am proud of the accomplishments we have achieved over the years in reducing administrative costs in this Department. We are continuing this emphasis. Our 1966 budget projects savings in excess of $6 million from regional office mergers, increased productivity, and some decline in workloads. These savings are offset by increased salary costs and implementation of a study to validate the compensation rating schedule, resulting in the net reduction of approximately $4 million. In addition to activities supported by direct appropriations, it is estimated that administrative costs incident to issue and maintenance of policies under the reopening of national service life insurance will approximate $1,400,000 in 1965 and $3,800,000 in 1966. These costs will be charged to the policyholders and are reflected as reimbursements to the general operating expenses appropriation.

Aside from reimbursable costs for reopened national service life insurance, we are projecting reductions in employment in all program areas for a total of 434 man-years. An increase of 340 man-years to handle reopened NSLI results in a net reduction of 94 for the Department of Veterans Benefits. It reflects economy from realinement of functions and merger of regional offices. We believe it can be accomplished without impairment of services to veterans and their beneficiaries.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

We are requesting $13,496,000 for medical administration and miscellaneous operating expenses, which is $1,400,000 less than the 1965 appropriation, including the proposed pay raise supplemental.

However, we are proposing to transfer the funding of administrative activities of the Office of the Assistant Administrator for Construction, heretofore included under this heading, to the construction appropriation in 1966. This results in a reduction of nearly $2 million in the medical administration and miscellaneous operating expenses appropriation. There is, therefore, an effective increase of $565,000 for medical administration and medical education and training activities which remain under this appropriation title.

This increase will provide a net gain of 33 in average employment to assist the Chief Medical Director in implementing the new nursing home care program and correcting staffing deficiencies he has encountered during the current year. An increase of $100,000 is requested for modest expansion of medical education and training activities which are so vital to maintaining the high level of care provided patients by our hospital and clinic staffs.

MEDICAL AND PROSTHETIC RESEARCH

A total of $40,893,000 is requested for medical and prosthetic research. Of this amount, $39,618,000 is for medical research. The increase of $3,110,000 over the 1965 appropriation, including the proposed pay raise supplemental, will enable us to continue the orderly program growth pattern which you have provided in the past few years and which we consider so important to our medical care mission.

We are requesting $1,275,000 for prosthetic research in 1966, the same level provided in the 1965 appropriation. We believe this amount will enable us to continue our role of leadership in fields of special concern to disabled veterans.

MEDICAL CARE

We are requesting $1,177,417,000 for medical care in 1966. This is a net increase of $23,008,000 over the 1965 appropriation, including a proposed supplemental of $38,474,000 for wage board and salary increases.

Our 1966 request is responsive to changing medical requirements of veterans. As recognized by the Congress in the enactment of Public Law 88-450, there is an increasing need of the aging veteran population for nursing home care. Our budget provides for implementation of this law. We plan to have the first 1,000 nursing care beds in operation by June 30th of this year and to activate the second 1,000 beds by the close of fiscal year 1966. Our 1966 budget projects an average daily nursing load of 1,510 in Veterans Administration facilities. In addition, it provides for 1,820 in State homes and 2,740 in community nursing facilities, for a total average daily nursing load of 6,070.

Our 1966 budget also provides for:

Activation of new and larger hospitals at Atlanta, Ga., and Washington, D.C., and a new hospital in Charleston, S.C. They will provide 1,162 additional hospital beds.

Improved care of psychiatric patients through increased staffing and medical service in NP hospitals.

Establishment of 13 open heart surgery centers, 26 pulmonary emphysema units, and strengthening of 11 existing renal dialysis centers at general hospitals.

Accelerated updating of obsolete equipment.

Activation of 2 aditional psychiatric day care centers and strengthening the staff at 12 existing centers.

Issuance of drugs and medicines to pensioners receiving aid and attendance allowances as authorized by Public Law 88-664.

Increases in drugs, medicines, prostheses, and medical supplies.

These additional costs are partially offset by anticipated savings of $20.5 million from planned closing of 11 hospitals and 4 domiciliaries this year. These savings will accrue largely by eliminating maintenance and administrative costs in facilities to be closed. Patients and domiciliary members now cared for in these facilities can be provided for in other facilities. As indicated earlier, while we will operate fewer facilities with some reduction in average daily hospital load, our plan provides for treatment of 15,000 more patients in 1966 than in the current year.

The increasing demand for improved but costly medical servies, coupled with a rising general cost index, poses difficult and complex problems in medical administration. We are continuously searching for savings to offset additional costs of new and improved treatment programs. We believe our 1966 request is both forward-looking and prudent. In our judgment, it represents minimum needs to provide adequate medical care for veteran patients.

COMPENSATION AND PENSIONS

Our request for compensation and pensions in 1966 totals $4,142 million, an increase of $71 million over the appropriation and proposed supplemental for the current year. This request is predicated on a combined caseload for compensation and pensions of 4,471,592, an increase of 24,060 over the current year.

The estimated compensation payments for 1966 of $2,174,500,000 is an increase from 1965 of $1,797,000. This is attributable to a slight increase in average annual payments.

Pension payments are estimated at $1,905,328,000—an increase of $71,515,000. This increase results primarily from enactment of Public Law 88-664, which increased pension rates and liberalized certain pension benefits. The number of pensioners on the rolls is also expected to rise slightly due mainly to the increase in veterans of advancing age.

Other related benefits are expected to remain constant from 1965 to 1966, with an increase of $2,482,000 in burial benefits being offset by a decrease of a like amount in subsistence allowances.

Our estimate includes $50,000 under this title for payment of adjusted service certificates, which were previously funded through the adjusted service certificate fund. The elimination of this fund is proposed, effective July 1, 1965, with remaining funds transferred to this appropriation.

READJUSTMENT BENEFITS

We are requesting $36,500,000 for readjustment benefits in 1966. This represents a reduction of $9,400,000 from appropriations and proposed supplemental for 1965.

The reduction is attributable to termination of training entitlement for Korean conflict veterans on January 31, 1965. During the course of the Korean conflict veterans' training program, almost 3 million applications were received about 2,400,000 veterans entering into training. A little more than $4,500 million has been expended for this program since its inception in 1952.

We estimate that the war orphans' average training load will decrease slightly in 1966. However, Public Law 88-361, approved in July 1964, extended education benefits to sons and daughters of permanently and totally disabled veterans having a service-connected disability. Total requirements in 1966 for war orphans and sons and daughters are estimated at $27,526,000 or approximately $1 million above our 1965 level.

Requirements for special assistance to disabled veterans is estimated at $8,974,000, or a decrease from 1965 of $1,361,000. This decrease results from a reduction of 1,800 in the number of disabled veterans pursuing vocational rehabilitation and education training.

VETERANS INSURANCE AND INDEMNITIES

To meet program requirements under the "Veterans insurance and indemnities" appropriation, $17,585,000 will be required in 1966. We propose to meet this requirement by an appropriation of $10,585,000 and the authority to transfer $7 million from the surplus "retained earnings" of the veterans' special term insurance fund. Expenditures of approximately $17,600,000 in 1966 is a decrease of $4,400,000 under 1965. The decrease results principally from the decline in

the number of running awards in the servicemen's indemnities program from 10,000 in 1965 to 5,000 in 1966.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

We are requesting $386,000 for grants to the Republic of the Philippines in 1966. These grants are in the nature of reimbursements at agreed-upon per diem rates for medical care and treatment of Philippine Commonwealth Army veterans.

CONSTRUCTION

Our 1966 construction appropriation request of $97 million provides $90 million for the sixth increment under our long-range hospital modernization and replacement program; $5 million for alteration of existing facilities to provide 2,000 nursing home beds; and $2 million for general administration in the Office of the Assistant Administrator for Construction. This last item was financed from the "Medical administration and miscellaneous operating expenses" appropriation in prior years.

Major items included are:

Construction funds for a 760-bed hospital at Chicago, Ill.; a 480-bed hospital at Columbia, Mo.; and a 480-bed G.M. & S. building at Northport, N.Y.

Design funds for a 1,040-bed hospital at San Diego, Calif., and a 760-bed hospital at San Antonio, Tex.

Site funds for a 1,000-bed hospital on Long Island, N.Y.

Funds for alterations to provide 2,000 additional nursing home beds in existing facilities. Funds for the first 2,000 beds were provided in 1965.

Funds for research facilities totaling over $5 million.

Other funds in the amount of $35 million for modernizing and improving our existing facilities.

During 1964, we obligated over $109 million for construction of facilities. This is the largest amount in 14 years. As a result, we reduced our unobligated balance at the end of the year, to the lowest since 1945. We anticipate that we will reduce this further in 1965 and 1966.

GRANTS FOR CONSTRUCTION OF STATE NURSING HOMES

Public Law 88-450, enacted August 19, 1964, authorizes grants to States to assist in the construction of nursing home facilities for war veterans. The act authorizes appropriations of $5 million each year for 5 successive years, commencing with fiscal year 1965. Administrative regulations have been developed and published. Our 1966 budget includes the first $5 million increment to implement this program.

LOAN GUARANTEE AND DIRECT LOAN REVOLVING FUNDS

Although no appropriations are requested for our housing programs, I wish to briefly apprise you of their status.

*Loan guarantee revolving fund*

It now appears that the rise in foreclosures experienced over the past 3 years is leveling off, and a decline is anticipated next year. However, largely because of the unpredictable and uncontrollable nature of the expenditures from this fund, we are again requesting that the limitation on these expenditures be removed in 1966.

Also, even though total receipts, primarily from the sale of loan assets, are expected to cover total expenditures in 1966, we are requesting appropriation language to provide permanent authority to transfer unobligated balances of the direct loan revolving fund to the loan guarantee revolving fund as required. The difficulty in estimating movements in the mortgage investment market and in controlling the timing of asset sales make this authority necessary.

*Direct loan revolving fund*

The gradual decline in obligations, together with an increase in receipts from sales of assets, will produce a significant increase in the unobligated balance of this fund. This balance, along with the accumulation of unused borrowing authority from past years, will be sufficient to meet direct loan expenditure requirements for several years. We are, therefore, proposing legislative action to rescind the $100 million authorized to be advanced to the fund in 1966.

SOLDIERS' AND SAILORS' CIVIL RELIEF

For the first time since 1959, we will require an appropriation of $25,000 in the soldiers' and sailors' civil relief fund. This fund finances claims on guaranteed premiums paid to commercial insurance companies when the servicemen fail to make premium payments which were guaranteed by the Government. Expenses of the fund are financed from collections on loans receivable, miscellaneous revenue, or appropriations. We estimate that an appropriation of $25,000 will be required in 1966 to supplement collections and other miscellaneous revenue.

This concludes my remarks on our 1966 appropriation requirements. We are also prepared to discuss our supplemental requirements for 1965 which total $164,574,000. Of this amount, $44,900,000 is required to meet pay raise costs under Public Law 88-426 and increases for wage board employees. The balance of $119,600,000 is comprised of $108 million for compensation and pensions, $8,800,000 for readjustment benefits, $2,800,000 for general operating expenses, and $76,000 for grants to the Republic of the Philippines. In addition, language to fund the new veterans' reopened insurance programs under one revolving fund is proposed.

I, and members of my staff here with me, will be pleased to supply any additional information you may desire.

*Summary table—Veterans Administration appropriations*

[In thousands]

| Appropriation or fund | Fiscal year 1965 | | | Fiscal year 1966 estimate | Difference |
|---|---|---|---|---|---|
| | Appropriated | Proposed supplemental | Total | | |
| General operating expenses | $155,125 | $7,745 | $162,870 | $158,000 | −$4,870 |
| Medical administration and miscellaneous operating expenses | 14,200 | 696 | 14,896 | 13,496 | −1,400 |
| Medical and prosthetic research | 37,000 | 783 | 37,783 | 40,893 | +3,110 |
| Medical care | 1,115,935 | 38,474 | 1,154,409 | 1,177,417 | +23,008 |
| Compensation and pensions | 3,963,000 | 108,000 | 4,071,000 | 4,142,000 | +71,000 |
| Readjustment benefits | 37,100 | 8,800 | 45,900 | 36,500 | −9,400 |
| Veterans' insurance and indemnities [1] | 14,360 | | 14,360 | 10,585 | −3,775 |
| Grants to Republic of the Philippines | 310 | 76 | 386 | 386 | |
| Construction of hospital and domiciliary facilities | 98,103 | | 98,103 | 97,006 | −1,097 |
| Grants for construction of nursing homes | | | | 5,000 | +5,000 |
| Soldiers' and sailors' civil relief | | | | 25 | +25 |
| Total appropriations [2] | 5,435,133 | 164,574 | 5,599,707 | 5,681,308 | +81,601 |
| Borrowing authority: Direct loan revolving fund | 150,000 | | 150,000 | | −150,000 |
| Total, new obligational authority | 5,585,133 | 164,574 | 5,749,707 | 5,681,308 | −68,399 |

[1] Includes permanent indefinite—fiscal year 1965, $650,000; fiscal year 1966, $685,000.
[2] Excludes "Construction, Corregidor-Bataan Memorial"; 1966 request of $1,400,000 being considered by Interior Subcommittee.

TOTAL BUDGET ESTIMATES

Mr. DRIVER. Our appropriation estimates for the fiscal year 1966 total $5,682,708,000. Included in this is $1,400,000 for the construction of the Corregidor-Bataan Memorial which is being considered by the Interior Subcommittee. Aside from that, our 1966 request represents an increase of $81,601,000 over appropriations and supplementals for 1965. By broad program categories there are increases of about $58 million in veterans' benefit payments, and $29 million in medical services and construction, and this is offset by a decrease of nearly $5 million in the general operating expense. A summary of these estimates is included in the table attached to the statement.

In the area of veterans' benefit programs our workloads are declining. Except for the initial impact of implementing Public Law 88–664, which provides for increased pension rates and permits the reopening on a limited basis of the national service life insurance program, the programs are in decline. Our budget estimates for 1966 reflect also merger of 17 regional offices which we have projected to be accomplished by June 30 of this year.

In the medical programs there are changing requirements, related to the aging veteran population and, of course, the advancement in medical technology. In our 1966 budget we include funds to implement Public Law 88–450, which provides for a new program, nursing home care in Veterans Administration facilities, and also the support of nursing home patients in State and private facilities. Our budget also reflects additional costs for new treatments that are becoming available, particularly for veterans with chronic diseases.

In these costs there are offsetting reductions as a result of our proposed action to close 11 marginal hospitals by June 30. Also, savings are reflected from the closing of four domiciliaries. From the standpoint of total medical care to veterans there will be no appreciable change in the number of available beds despite these closings. In fact, the expansion of nursing facilities will contribute to improved turnover in hospital beds and will permit us to treat more patients in 1966 than before.

ADDITIONAL PATIENTS TREATED

Mr. EVINS. We have heard the reports about closing certain hospitals and domiciliaries, and I think it might be well to emphasize in the early part of your statement just what you have said, that there will be no diminishing of beds available to veterans. Is this the plan of the Veterans' Administration?

Mr. DRIVER. In terms of veterans treated, this is exactly right, Mr. Evins, because we will be able to free hospital beds now occupied by chronic cases by activating nursing care beds, and because of improved staffing of the hospital beds remaining we will treat, in fiscal year 1966, 761,000 patients compared to our estimate of 746,000 in 1965. This is approximately 15,000 more patients treated. The figure of 761,000 that we estimate for 1966 compared to 6 years ago represents an increase of 125,000 patients more treated in about the same number of beds in fiscal year 1966.

Mr. EVINS. Later on, you will go into your plans for nursing home care. You also are bringing in some new hospitals to be activated.

Mr. DRIVER. That is right. I will bring those into the discussion later on.

GENERAL OPERATING EXPENSES

In "General operating expenses" our oppropriation supports General Administration, the Department of Data Management, and the Department of Veterans Benefits. Here our request of $158 million for 1966 represents a reduction of $4,870,000 from the current year. Decreased appropriation requirements of about $4 million for the Department of Veterans Benefits and $1.5 million for the Department of Data Management are partially offset by an increase of $800,000 in General Administration.

STAFF SERVICES

In General Administration we have the Administrator's office and agency staff services, which are represented by the first category of names in our witness list, Mr. Evins. Our estimate of requirements here exceeds those for the current year by $786,000. This represents an increase of 48 in average employment, 24 of which result from centralizing the fiscal audit function from the Departments of Data Management, Veterans Benefits, and Medicine and Surgery in the Office of the Controller. It is our feeling that we will get a much improved fiscal audit if it is concentrated in one place rather than spread over the Veterans Administration. So, there is a 24 man-year transfer from these elements into the Controller's office.

In addition to that, we are asking for 24 more employees in the Board of Veterans' Appeals as a result of an increased workload which we believe will level off at a point that will require the addition of 24 people to keep current.

DEPARTMENT OF DATA MANAGEMENT

In the Department of Data Management, on the basis of about 2 years' experience, our decision to concentrate all automatic data processing in one department is proving very sound, we believe. Additional costs in the Department in 1966 of about $2 million reflect completion of the data-processing branch consolidations, the implementation of additional data-processing systems, and some increase in research and development in the ADP systems.

In terms of appropriation requirements, the budget reflects a decrease from the current year of $1,460,000 in the Department of Data Management as a result of our decision to begin the distribution of data-processing costs to appropriations and other funds that are served by the Department. In the 1966 budget we anticipate reimbursements of $4 million from the medical programs and $260,000 from the veterans' reopening insurance fund for the services that will be rendered.

I would like to indicate some of the highlights in this Department. We will get into more detail later on.

In January, the same as last year, we paid the 1965 insurance dividend on an accelerated basis. It took 6 days and cost us $23,000. In 1961 a comparable dividend was paid manually, and it took us the entire year to do it and it cost us $1,400,000. This dividend was paid by using the automatic data equipment in Philadelphia, and the employees at the data center were not aware of the fact that the payments were going out except that they knew the program was in the machine.

The system for payment of compensation and pensions which was installed in 1959 enabled us to adjust the rate increases required by the change in the pension law last year for more than a million veterans at a cost of approximately $1,750,000 less than would have been required under the manual system. Case by case, the computer cost was 13 cents as compared with $1.69 in former years.

The installation of an agencywide personnel and accounting integrated data system, which is the payroll for the entire Veterans Ad-

ministration, every installation, is underway and should be completed in fiscal year 1966. It will centralize payroll payments of all VA employees at the Hines Data Processing Center, in Illinois, and it will integrate personnel payroll and related accounting functions. So, the necessary personnel papers and fiscal papers that are required for accounting and auditing purposes will come as a byproduct of the payroll.

Mr. THOMAS. You have how many people out at Hines?

Mr. BUDD. It is 180, sir.

Mr. DRIVER. The 1966 budget, reflecting the first wave of that transfer, carries a reduction of $550,000 as a result of implementing this system. When it is in full effect we expect an annual savings of about $2 million.

DEPARTMENT OF VETERANS BENEFITS

In the Department of Veterans Benefits our appropriation requirements for 1966 are estimated at $131,469,000, a reduction of $4,171,000 below those for the current year. We believe these reductions in costs in this Department are justified. They, of course, reflect the merger of 17 regional offices. We project savings in excess of $6 million from these mergers and from increased productivity as well as some decline in workloads. They are offset by increases in salary costs and the implementation of a study to validate the rating schedule under which we make ratings for compensation cases. The net reduction, then, is $4 million. In addition to activities supported by direct appropriations, it is estimated that administrative costs incident to the reopening of the national service life insurance will approximate $1,400,000 in 1965 and $3,800,000 in 1966. These costs will be charged to the policyholders and are reflected as reimbursements to the general operating expenses.

Aside from the reimbursable costs for reopened national service life insurance, we are projecting reductions in employment in all program areas for a total of 434 man-years. An increase of 340 man-years to handle the reopened national service life insurance results in a net reduction of 94 for the year for the Department of Veterans Benefits. It reflects economy from realinement of functions and merger of regional offices. We certainly believe it can be accomplished without impairment of services.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

In the medical administration and miscellaneous operating expenses of the Department of Medical Service we are requesting $13,496,000, which is $1,400,000 less than the 1965 appropriation, including the proposed pay raise supplemental.

However, we are proposing to transfer the funding of administrative activities of the Office of the Assistant Administrator for Construction, heretofore included under this medical appropriation, to the "Construction" appropriation in 1966. This results in a $2 million reduction in the medical area. There is, therefore, an effective increase of $565,000 for medical administration under this title.

This will provide a net gain of 33 in average employment to assist the Chief Medical Director in implementing the new nursing home

care program and correcting staffing deficiencies that he believes exist. An increase of $100,000 is requested for expansion of medical education and training activities which we consider vital to maintaining the high level of care provided by our hospital and clinic staffs.

AREA MEDICAL OFFICES

Mr. THOMAS. What did you do with your area offices? I could not put my finger on that right quick.

Mr. DRIVER. We decentralized the area medical directors into the areas where they are now located, but the appropriation is in this area.

Mr. THOMAS. What do you mean by decentralized?

Mr. DRIVER. We physically moved them into the seven areas.

Mr. THOMAS. How many do you have?

Dr. MCNINCH. The staffing per office is reduced from around 37 to 17.

Mr. DRIVER. Then we moved the functions of effective supervision in terms of going out and looking at the program, from the area office in to the central office. This is why the reduction is possible.

MEDICAL AND PROSTHETIC RESEARCH

In medical and prosthetic research we are asking for a total of $40,893,000. Of this amount, $39,618,000 is for medical research. The increase of $3,110,000 over 1965, including the proposed pay raise supplemental, will permit us to continue the growth pattern which we have been building up to over the past few years in the medical research area.

We are requesting $1,275,000 for prosthetic research in 1966. This is the same level provided in the 1965 appropriation.

MEDICAL CARE

In medical care we are asking $1,177,417,000 in fiscal 1966, a net increase of $23,008,000 over the 1965 appropriation including the proposed supplemental of $38,474,000 for wage board and salary increases.

Our 1966 request is responsive to changing medical requirements of veterans. As recognized by the Congress in the enactment of Public Law 88–450, there is an increasing need of the aging veteran population for nursing home care. Our budget provides for implementing this law. We plan to have the first 1,000 nursing care beds in operation by June 30 and to activate the second 1,000 beds by the close of fiscal year 1966. In the 1966 budget we project an average daily nursing load of 1,510 in VA facilities and 1,820 in State homes, plus an additional 2,740 in community public or private nursing facilities, for a total average daily nursing load of 6,070.

This medical budget for 1966 also provides for the activation of new and larger hospitals at Atlanta, Ga., Washington, D.C., and Charleston, S.C., for a total of 1,162 additional new hospital beds.

It provides for improved care of psychiatric patients by increasing staffing and medical services in the neuropsychiatric hospitals.

It provides for the establishment of 13 open heart surgery centers, 26 pulmonary emphysema units, and the strengthening of our 11 presently existing renal dialysis centers at general hospitals.

This budget also accelerates the updating of obsolete equipment.

It permits us to activate 2 additional psychiatric day care centers and to strengthen the staff at 12 existing centers.

It will provide for the issue of drugs and medicines to pensioners receiving aid and attendance allowances as authorized by Public Law 88-664.

It also increases for drugs, medicines, prostheses, and medical supplies the amounts of money available to the Veterans Administration.

These costs are partially offset by the anticipated savings of $20.5 million from the planned closing of 11 marginal hospitals and 4 domiciliaries in this fiscal year. These savings will accrue largely by eliminating the maintenance and administrative overhead costs in the facilities to be closed. Patients and domiciliary members now cared for in these facilities will be provided for in other facilities. As indicated, we will operate fewer facilities with some reduction in the average daily hospital load, but we will treat 15,000 more patients in 1966 than in 1965.

### COMPENSATION AND PENSIONS

In the compensation and pensions area our request for 1966 totals $4,142,000,000, an increase of $71 million over the appropriation and proposed supplemental for the current year. This is predicated on a combined caseload for compensation and pensions of 4,471,592, an increase of 24,060 over the current year in individuals drawing either compensation or pensions.

The estimated compensation for 1966 of $2,174,500,000 is an increase over 1965 of $1,797,000. This is due to the slight increase in the average annual payments.

Pension payments are estimated at $1,905,328,000, an increase of $71,515,000. This is due primarily to the rate increase established by law at the last session. The number of pensioners on the rolls is also expected to rise slightly because of the increase in the average age of veterans.

Other related benefits are expected to remain constant with an increase of $2,482,000 in burial benefits being offset by a decrease of a like amount in subsistence allowances.

Our estimate includes $50,000 under this title for the adjusted service certificates previously funded through the adjusted service certificate fund. We propose to eliminate this fund effective July 1, with the remaining funds transfered to the compensation and pensions appropriation.

### READJUSTMENT BENEFITS

In readjustment benefits we are asking for $36,500,000 in 1966, a reduction of $9,400,000 from the 1965 regular and proposed supplemental appropriations. This reduction is due to termination of training entitlement for Korean conflict veterans on January 31, 1965. During the course of the Korean conflict almost 3 million applications were received, with about 2,400,000 veterans entering into training. A little

more than $4,500 million has been expended for this program since its inception in 1952.

In the war orphans area the average training load will decrease slightly in 1966. However, Public Law 88–361 extended these benefits to the sons and daughters of the permanently and totally disabled veterans having a service-connected disability. Requirements in 1966 for this total program are estimated at $27,526,000, or about $1 million above the 1965 level.

Requirements for special assistance to disabled veterans is estimated at $8,974,000, or a decrease from 1965 of $1,361,000. This decrease results from a reduction of 1,800 in the number of disabled veterans pursuing vocational rehabilitation and education training.

VETERANS INSURANCE AND INDEMNITIES

In the veterans insurance and indemnities program $17,585,000 will be required in fiscal 1966. We propose to meet this requirement by an appropriation of $10,585,000 and authority to transfer $7 million from the surplus "retained earnings" of the veterans special term insurance fund. Expenditures of about $17,600,000 in 1966 is a decrease of $4,400,000 under 1965. The decrease results principally from a decline in the number of running awards from 10,000 in 1965 to 5,000 in 1966.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

For grants to the Republic of the Philippines we are requesting $386,000 in 1966. These grants are in the nature of reimbursements at agreed-upon per diem rates for medical care and treatment of Philippine Commonwealth Army veterans.

CONSTRUCTION PROGRAM

In the construction program we are asking for $97 million. This will provide $90 million for the sixth increment of our long-range modernization and replacement program; $5 million for alterations to provide 2,000 nursing home beds; and $2 million to pay for the expenses of the Office of the Assistant Administrator for Construction which function was transferred to this appropriation from the medical administration and miscellaneous operating expenses appropriation.

Mr. EVINS. This construction program is for 10 or 15 years?

Mr. DRIVER. Fifteen.

Mr. EVINS. When was it extended? I thought we set it up as a 10-year program.

Mr. DRIVER. When we first came up with it, it was estimated at $900 million. It is now up to $1.2 billion. Because of the increases, we have had to extend our estimate of the time it will take to accomplish this.

Mr. EVINS. The VA extended it?

Mr. DRIVER. Yes, in effect we did by adding new projects to it and increasing the cost.

Mr. MONK. Originally it was 12 years at about $75 million a year. Then the costs went up.

Mr. EVINS. You are in the 6th year and are you about halfway through?

Mr. MONK. We are not halfway through because it is 6 out of 15.

Mr. EVINS. Six out of 12 would be half.

Mr. MONK. Yes, it would be, but we extended it 3 years and increased it from $900 million to $1.2 billion.

Mr. EVINS. Are you halfway through in the funding?

Mr. MONK. No, sir.

Mr. EVINS. Go ahead.

Mr. DRIVER. The major items for 1966 for construction include a 760-bed hospital at Chicago, Ill., a 480-bed hospital at Columbia, Mo., and a 480-bed general medical and surgery building at the Psychiatric Hospital at Northport, N.Y.

It includes design funds for a 1,040-bed hospital at San Diego, Calif., and design funds for a 760-bed hospital at San Antonio, Tex.

It includes site funds for a 1,000-bed hospital on Long Island, N.Y.

It includes funds for alterations to provide 2,000 additional nursing home beds within existing facilities. Funds for the first 2,000 beds in the same area were provided in 1965.

This budget provides funds for research facilities totaling over $5 million, and money in the amount of $35 million for modernizing and improving existing facilities.

HOSPITAL BEDS IN FLORIDA

Mr. RHODES. I notice you do not have anything in here for the Bay Pines Hospital in Florida, for which we gave you money several years ago.

Mr. DRIVER. This money remains available in this fund, which does not expire at the end of the year.

Mr. RHODES. Have you any plans to spend it? You have not spent it although it has been available for some years.

Mr. DRIVER. Not at the present. At the moment we are concentrating in Florida on the finishing of the construction of the new hospital at Gainesville, which is about 40 percent complete, continuing the construction of the new hospital at Miami, and establishing and getting underway the construction of a new hospital at Tampa. In the meantime, we are reevaluating the needs of the entire State and the necessity to continue in operation the hospital at Coral Gables in Miami despite the construction of the new one. We are not in a position at this time to come forward with a firm recommendation on Bay Pines.

Mr. RHODES. If you are going to build a new hospital at Tampa, then it seems to me you must already have decided not to build one at Bay Pines.

Mr. DRIVER. In Bay Pines eventually it would appear to us what we will have to do is to modernize the existing facility.

Mr. RHODES. That isn't what the money was voted for. It was voted for a new hospital.

Dr. DRIVER. Yes, sir. After this money was appropriated, we got information that we had not had before in terms of veterans population statistics in the 1960 census, and we made a complete new study of the entire demand in Florida. Our best judgment was to build a new hospital at Miami—in fact, to build a larger one at Miami than

we had originally anticipated—to build a new one at Gainesville, to come forward with a new one at Tampa, and until some of these new ones are completed, not to proceed with any major modernization at Bay Pines or any major construction at Bay Pines. We felt in this way we would be able to supply more new beds faster than we could by spending our effort at Bay Pines.

Mr. EVINS. We will get into the construction budget later. We see you are asking for $5 million for research construction.

Mr. DRIVER. For research facilities; that is right.

Mr. THOMAS. When you get into the construction money itself, I hope you will go into the cost per square foot, because heretofore that cost has been very high, $35 or $40 or $50 a square foot in some instances.

Mr. EVINS. Proceed.

LOAN GUARANTEE AND DIRECT LOAN REVOLVING FUNDS

Mr. DRIVER. In the loan guarantee and direct loan revolving funds there are no appropriations requested, but I think you would be interested in knowing the status of the fund. It appears now that the rise in foreclosures experienced over the past 3 years is leveling off and a decline is anticipated in 1966. However, largely because of the unpredictable and uncontrollable nature of the expenditures from this fund, we are again requesting that the limitation on them be removed in 1966.

Even though total receipts, primarily from the sale of loan assets, are expected to cover total expenditures in 1966, we are requesting appropriation language to provide permanent authority to transfer unobligated balances of the direct loan revolving fund into the loan guarantee revolving fund as necessary. The difficulty in estimating movements in the mortgage investment market and in controlling the timing of asset sales we believe make this authority advisable. There is a gradual decline in obligations in the direct loan revolving fund, together with an increase in receipts from sales of assets, and these two facts produce a significant increase in the unobligated balance in the direct loan revolving fund. This balance, along with accumulation of unused borrowing authority from past years, will be sufficient to meet direct loan expenditure requirements for several years. We are therefore proposing legislative action to rescind the $100 million authorized to be advanced to the fund in 1966.

SOLDIERS' AND SAILORS' CIVIL RELIEF

Under the Soldiers' and Sailors' Civil Relief Act, for the first time since 1959 we need an appropriation of $25,000. This fund finances claims on guaranteed premiums paid to commercial insurance companies when the servicemen fail to make the premium payments which were guaranteed by the Government. Expenses of this fund are financed from collections on loans receivable. We estimate that an appropriation of $25,000 will be required in 1966 to supplement collections and other miscellaneous revenue.

This concludes my summary of the regular 1966 appropriation, Mr. Evins, but we are also prepared to discuss supplemental requirements for 1965 totaling $164,574,000.

BUDGET AND PROGRAM HIGHLIGHTS

Mr. EVINS. We will discuss the supplemental later, Mr. Administrator. This is a very comprehensive and full statement. May I say from examining your budget, you provide a lot of detail. It is a well-prepared budget. You provide a world of information in your tables and that is what the committee wants to see.

I think it worthwhile at the outset to look at a few of your highlights as shown by the charts and tables in your justifications.

At the end of fiscal year 1964 there were 81 million veterans and members of their families, which represented 43 percent of the total population of the United States.

Only the Department of Defense and the Post Office Department have a larger number of civilian employees.

The expenditures for veterans' benefits are exceeded only by four or five categories—national defense, interest on the debt, agriculture, and probably space and health, education, and welfare are on about the same level.

Your chart on page 1–4 shows that in 1964 VA hospital treatment was provided 763,000 patients, a number larger than the population of many of our larger cities.

Also, in 1964 the VA paid $3.9 billion in compensation and pensions to 5 million veterans or dependent survivors.

About one out of every five private nonfarm single-family dwelling units started in the United States since World War II was financed by the Veterans Administration loan programs.

The Veterans Administration operations are conducted by three major departments: the Department of Medicine and Surgery, the Department of Veterans Benefits, and the Department of Data Management. You have nine agency staff level officers for assistance to the Administrator, and your various installations are shown on the map, page 1–7.

STRUCTURAL CHANGES IN BUDGET SUBMISSION

Mr. THOMAS. You have already commended the Administrator for his excellent budget. There are half a dozen changes in the format. I think if you would read those into the record and let the committee members get firmly in their minds what the changes are, it would save time today, tomorrow, and the next day.

Mr. EVINS. Those appear on the first page of the submission.

The structural changes in the format of the budget include:

Expansion of former two-volume submission to four volumes.

We have already noticed that. It is getting bigger and heavier. Each one is the size of the metropolitan telephone directory in Washington.

Use of special analyses sections for reference-type, supplementing material.

Combination of related central office and field activities of Department of Veterans Benefit programs, for presentation purposes.

We will go into that.

Inclusion of the Office of Assistant Administrator for Construction activity under the "Construction of hospital and domiciliary facilities" appropriation.

It was recommended a few years ago, I think, by the chairman, that this be put under construction.

Mr. THOMAS. It is all under one roof now, and I think it makes the budget a little more clear.

Mr. EVINS. Addition of two new medical care activities—"Nursing home care" and "Miscellaneous benefits and services."

GRANTS FOR CONSTRUCTION OF NURSING HOMES

Addition of a new appropriation account, "Grants for construction of nursing homes."

Mr. THOMAS. For this you are requesting $5 million this year. How many beds are you going to construct with this?

Mr. MONK. 2,000 with the first $5 million and 2,000 with the second $5 million.

Mr. THOMAS. When did you get the other $5 million?

Mr. MONK. We had the first $5 million in 1965, and we are asking for the second $5 million for the conversion of VA facilities to nursing home beds in this request. Our request also includes the first $5 million increment for grants for construction of State nursing homes.

Mr. THOMAS. You were given the first $5 million previously, were you not?

Mr. MONK. Last year, for the conversion of VA beds.

Mr. THOMAS. That is correct.

Mr. DRIVER. Mr. Chairman, these grants are to implement the section of the bill that permits us to give matching funds to States which put up money. Twenty-five million dollars is provided for that over a 5-year period. So, actually, the amount spent here will depend on the number of proposals that come forward from the various States that want to construct nursing homes. This is separate and apart from the construction money that we are asking for under our regular construction appropriation for the modernization of VA facilities.

Mr. EVINS. There was $5 million in last year's regular budget.

Mr. DRIVER. For the conversion of VA facilities. The $5 million in this appropriation is to meet the requests from the States for matching funds.

Mr. EVINS. It is dependent upon requests from the States? I know you indicate there has been a lot of interest, but how many actual requests have you had?

Mr. DRIVER. We have had eight or nine, I believe, so far.

Dr. MCNINCH. We have had no real requests.

FURTHER STRUCTURAL CHANGES IN BUDGET SUBMISSION

Mr. EVINS. Then among the changes in the budget submission you have provision for funding a distributed share of Department of Data Management operations from the medical care appropriation.

Elimination of the adjusted service certificate trust fund account with transfer of unexpended balances to the compensation and pensions appropriation.

Inclusion of a reimbursable program under "General operating expenses" for administrative costs related to the limited reopening of national service life insurance.

There is considerable format change in your budget.

TOTAL BUDGET REQUEST AND CHANGES FROM 1965

The highlights of the 1966 budget appear on page 1–10. Your total budget request is $5,682,708,000. You propose to reduce general operating expenses by $4,870,000. Yet you want to increase medical care and research by $24,968,000. You have explained about the nursing homes, but I don't think this takes care of the proposed $25 million increase that you are asking for.

Construction is proposed to be increased by $5,203,000 and the benefit appropriations by $57,850,000.

DIRECT LOAN BORROWING AUTHORITY

Tell us again how you propose to make this $150 million direct loans savings.

Mr. SHYTLE. Mr. Chairman, we have borrowing authority of $150 million which we don't need.

Mr. EVINS. This is really not a savings. It is just an authorization which you are not using.

Mr. MONK. It is a reduction of new obligational authority.

Mr. EVINS. Let us not confuse that with savings.

Mr. SHYTLE. The way the accounts are set up, that authority to borrow is new obligational authority, whether you borrow it or not. The only way we can get it out of new obligational authority is to have the committee rescind it.

Mr. EVINS. You are asking that this language be rescinded, showing the reduction, and then the amount is transferred over to general operating expense, data management, and other fields, is it not, as, for example, where you are proposing this reduction in general operating expense.

Mr. DRIVER. No, sir. The transfer to data management comes principally from the medical area, not from the general operating expense area or any borrowing authority. The reduction in general operating expense actually is the net difference between last year and this year.

SUMMARY OF BUDGET ESTIMATES

Mr. EVINS. The summary of budget estimates appearing on page 1–13 will be placed in the record.

(The page follows:)

SUMMARY OF VA BUDGET ESTIMATES

Summaries, by appropriation or fund, of new obligational authority, obligations, costs and employment estimates for fiscal years 1965 and 1966 (also comparable actual data for fiscal year 1964) are presented in the following series of

tables. More detailed breakdowns of these summary data, together with justification material, are presented in subsequent sections of this submission.

*New obligational authority*

| | 1964 actual | 1965 estimated | | Tota | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|---|---|
| | | Appropriated | Supplementals | | | |
| General operating expenses | $159,730,636 | $155,125,000 | $7,745,000 | $162,870,000 | $158,000,000 | −$4,870,000 |
| Medical administration and miscellaneous operating expenses | 14,800,000 | 14,200,000 | 596,000 | 14,896,000 | 13,496,000 | −1,400,000 |
| Medical and prosthetic research | 33,742,000 | 37,000,000 | 783,000 | 37,783,000 | 40,893,000 | +3,110,000 |
| Medical care | 1,091,627,420 | 1,115,935,000 | 38,224,000 | 1,154,159,000 | 1,177,417,000 | +23,258,000 |
| Compensation and pensions | 3,951,000,000 | 3,963,000,000 | 108,000,000 | 4,071,000,000 | 4,142,000,000 | +71,000,000 |
| Readjustment benefits | 68,500,000 | 37,100,000 | 8,800,000 | 45,900,000 | 36,500,000 | −9,400,000 |
| Veterans' insurance and indemnities | 29,352,108 | 14,360,000 | | 14,360,000 | 10,585,000 | −3,775,000 |
| Grants to Republic of Philippines | 310,000 | 310,000 | 76,000 | 386,000 | 386,000 | |
| Construction of hospital and domiciliary facilities | 76,706,000 | 98,103,000 | | 98,103,000 | 97,006,000 | −1,097,000 |
| Constructing Corregidor-Bataan Memorial | | 100,000 | | 100,000 | 1,400,000 | +1,300,000 |
| Grants for construction of nursing homes | | | | | 5,000,000 | +5,000,000 |
| Direct Loans Revolving Fund | 150,000,000 | 150,000,000 | | 150,000,000 | | −150,000,000 |
| Soldiers' and sailors' civil relief | | | | | 25,000 | +25,000 |
| Total, new obligational authority | 5,575,858,164 | 5,585,233,000 | 164,324,000 | 5,749,557,000 | 5,682,708,000 | −66,849,000 |

*Reconciliation of new obligational authority to appropriations*

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Total new obligational authority (see above) | $5,575,858,164 | $5,749,557,000 | $5,682,708,000 |
| Less borrowing authority—direct loans | −150,000,000 | −150,000,000 | |
| Less anticipated supplementals | | −164,324,000 | |
| Plus transfers to GSA | +34,944 | | |
| Appropriations | 5,425,893,108 | 5,435,233,000 | 5,682,708,000 |
| Annual definite | (5,425,241,000) | (5,434,573,000) | (5,682,023,000) |
| Permanent indefinite (veterans insurance and indemnities) | (652,108) | (660,000) | (685,000) |

Mr. EVINS. This is your most comprehensive overall table.

Again you show a reduction in general operating expense and in medical administration and miscellaneous operating expense. You show an increase in medical and prosthetic research from $37 to $40 million, but you really don't have the $37 million until your supplemental is approved.

Mr. DRIVER. Yes, $37 million was appropriated. There is a supplemental of $783,000 pending for pay raise cost.

Mr. EVINS. For "Medical Care" a supplemental of $38,224,000 is proposed. If that is approved, then you are asking for $23,258,000 in addition to that.

Mr. DRIVER. Yes, sir.

Mr. EVINS. In compensation and pensions you have a supplemental of $108 million.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Is this a pretty firm figure?

Mr. DRIVER. Yes, sir.

Mr. EVINS. Beyond this supplemental you are asking for $71 million increase for next year.

Mr. DRIVER. Principally due to the rate increases in the pension law change last year.

Mr. EVINS. For construction of the Corregidor-Bataan Memorial, which you mentioned, you request $1.4 million, and for grants for construction of nursing homes, $5 million. You indicate you have really no applications for any grants at this time.

Mr. DRIVER. None that we are able to act on and disburse funds for, but they are under development, sir.

Dr. MCNINCH. Mr. Chairman, the instructions in the field were published on March 1 of this year.

Mr. THOMAS. They ought not to confuse their own program of construction of nursing homes and the program of matching State funds. They are two separate and distinct programs.

Mr. MONK. They just happen to be in the same amount, but they are certainly different programs.

Mr. EVINS. The appropriation for your program was initially provided last year, and you are not very far along into that at this time, are you?

Mr. MONK. We are getting well into it, with the first ones now, yes, sir.

Mr. THOMAS. We might point out that these figures show a $66 million reduction from 1965 but that reduction is offset by the $164 million in supplementals that are being requested for 1965. If it were not for these supplementals you would have an increase of some $98 million.

SUMMARY OF COSTS AND EMPLOYMENT

Mr. EVINS. The summary of costs by object is shown on pages 1–14 and 1–15. You have some excellent tables there which show the increases by various functions. We will also place in the record the chart on page 1–17.

(The pages follow:)

*Summary of costs by object*

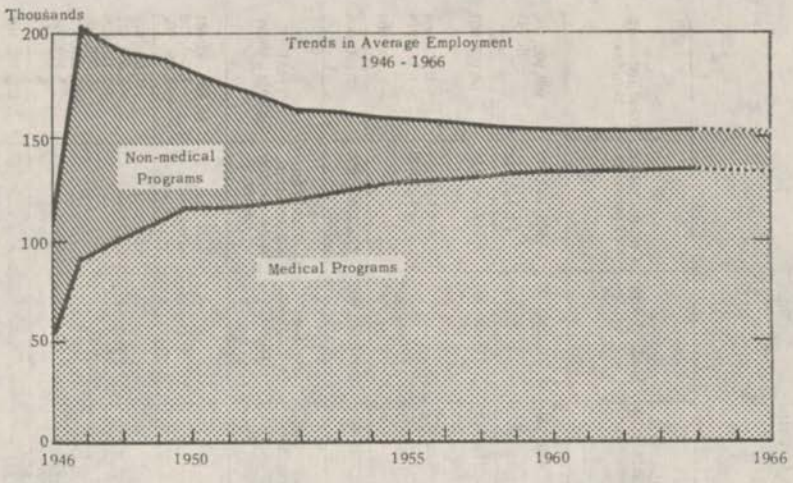
| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Personal services and benefits | $1,031,084,624 | $1,105,523,405 | $1,103,207,672 | −$2,315,733 |
| Travel and transportation of persons: | | | | |
| Employee travel | 4,947,754 | 5,356,500 | 5,461,500 | +105,000 |
| All other | 9,899,098 | 9,984,000 | 9,751,000 | −233,000 |
| Transportation of things | 2,362,296 | 2,766,100 | 2,434,100 | −332,000 |
| Rent, communications, and utilities | 25,975,700 | 27,202,000 | 28,218,300 | +1,016,300 |
| Printing and reproduction | 2,740,152 | 3,217,100 | 3,234,400 | +17,300 |
| Other contractual services | 55,989,256 | 60,758,145 | 71,420,528 | +10,662,383 |
| (Medical and dental fees) | (10,401,344) | (10,478,000) | (10,813,000) | (+335,000) |
| Supplies and materials | 143,343,275 | 145,416,397 | 149,426,000 | +4,009,603 |
| (Provisions) | (45,341,320) | (45,465,000) | (44,971,000) | (−494,000) |
| Equipment | 32,921,534 | 31,049,870 | 32,288,500 | +1,238,630 |
| Lands and structures | 61,880,662 | 69,185,870 | 93,573,000 | +24,387,130 |
| Investments and loans | 50,430 | 50,000 | 60,000 | +10,000 |
| Grants, subsidies, and contributions | 80,787,333 | 59,185,948 | 55,633,000 | −3,552,948 |
| Insurance claims and indemnities | 3,981,975,236 | 4,090,550,881 | 4,157,542,000 | +66,991,119 |
| Total operating costs | 5,433,957,350 | 5,610,246,216 | 5,712,250,000 | +102,003,784 |
| Less quarters, subsistence, and laundry | −8,365,286 | −8,806,000 | −8,672,000 | +134,000 |
| Total funded costs | 5,425,592,064 | 5,601,440,216 | 5,703,578,000 | +102,137,784 |

*Reconciliation of costs to appropriations*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Total costs (funded) | $5,425,592,064 | $5,601,440,216 | $5,703,578,000 |
| Costs financed from obligations of other years | −1,034,752 | −864,000 | |
| Obligations incurred for costs of other years | +42,959,667 | +36,750,000 | +4,747,000 |
| Total obligations | 5,467,516,979 | 5,637,326,216 | 5,708,325,000 |
| Reimbursements | −5,863,617 | −7,823,000 | −15,128,000 |
| Unobligated balances no longer available | +2,718,490 | | |
| Unobligated balance brought forward | −88,665,508 | −50,373,933 | −20,427,717 |
| Unobligated balance carried forward | +50,373,933 | +20,427,717 | +19,604,717 |
| Transfers to other accounts | +4,599,945 | +1,965,000 | |
| Transfers from other accounts | −4,787,115 | −1,965,000 | −9,666,000 |
| Anticipated supplemental | | −164,324,000 | |
| Total appropriations | 5,425,893,108 | 5,435,233,000 | 5,682,708,000 |

*Comparison of average employment by appropriation*

| | 1964 | 1965 | 1966 | 1966 over 1965 |
|---|---|---|---|---|
| General operating expenses | 18,246 | 17,649 | 17,806 | +157 |
| Medical administration and miscellaneous operating expenses | 852 | 807 | 840 | +33 |
| Medical and prosthetic research | 3,029 | 3,187 | 3,366 | +179 |
| Medical care | 129,809 | 130,841 | 129,361 | −1,480 |
| Construction of hospital and domiciliary facilities | 555 | 591 | 577 | −14 |
| Construction, Corregidor Bataan Memorial | | 1 | 3 | +2 |
| Subtotal, paid from appropriated fund | 152,491 | 153,076 | 151,953 | −1,123 |
| Canteen service revolving fund | 2,873 | 2,884 | 2,920 | +36 |
| Supply revolving fund | 674 | 682 | 670 | −12 |
| Total, VA | 156,038 | 156,642 | 155,543 | −1,099 |




With the expansion of veteran activities after World War II, the VA staff was sharply increased and reached a peak in 1947. Following this peak, employment in the medical activities continued to expand, and employment in the nonmedical activities began a downward trend which has continued uninterrupted to the present. The adjustments of staff in nonmedical activities to changing workloads and improved methods has resulted in a drop of 87,000 from the 1947 peak.

## Part 1. Agency Summary Material—Special Analysis

*Summary of costs related to appropriations*

FISCAL YEAR 1964 ACTUAL

| | General operating expenses | Medical administration and miscellaneous operating expenses | Medical and prosthetic research | Medical care | Compensation and pensions | Readjustment benefits |
|---|---|---|---|---|---|---|
| Total costs | $160,147,665 | $12,372,799 | $32,020,826 | $1,091,258,032 | $3,958,030,842 | $68,992,806 |
| Cost financed from obligations of other years, net (−) | −1,005,007 | | | | | −29,745 |
| Obligations incurred for costs of other years, net (+) | | +2,613 | +1,132,085 | +4,782,859 | +1,156,733 | |
| Total obligations | 159,142,658 | 12,375,412 | 33,152,911 | 1,096,040,891 | 3,959,187,575 | 68,963,061 |
| Less reimbursements | −402,110 | | | −5,461,507 | | |
| Unobligated balance no longer available | +2,014,966 | +483,049 | | +184,686 | | |
| Unobligated balance brought forward | | | −648,298 | | −8,610,174 | −1,674,009 |
| Unobligated balance carried forward | | | +1,203,387 | | +422,599 | +1,210,948 |
| Transfers to other accounts | +19,364 | +2,167,651 | +34,000 | +878,930 | | |
| Transfers from other accounts | −1,024,878 | −226,112 | | | | −1,500,000 |
| Appropriation, fiscal year 1964 | 159,750,000 | 14,800,000 | 33,742,000 | 1,091,643,000 | 3,951,000,000 | 67,000,000 |

| | Veterans insurance and indemnity | Grants to the Republic of the Philippines | Construction of hospital and domiciliary facilities | Construction, Corregidor-Bataan Memorial | Soldiers' and sailors' civil relief | Grants for construction, State nursing homes | Total appropriations |
|---|---|---|---|---|---|---|---|
| Total costs | $27,091,788 | $274,211 | $75,403,095 | | | | $5,425,592,064 |
| Cost financed from obligations of other years, net (−) | | | | | | | −1,034,752 |
| Obligations incurred for costs of other years, net (+) | | | +35,885,377 | | | | +42,959,667 |
| Total obligations | 27,091,788 | 274,211 | 111,288,472 | | | | 5,467,516,979 |
| Less reimbursements | | | | | | | −5,863,617 |
| Unobligated balance no longer available | | +35,789 | | | | | +2,718,490 |
| Unobligated balance brought forward | −5,143,849 | | −72,589,178 | | | | −88,665,508 |
| Unobligated balance carried forward | +7,626,282 | | +39,910,717 | | | | +50,373,933 |
| Transfers to other accounts | +1,500,000 | | | | | | +4,599,945 |
| Transfers from other accounts | −222,114 | | −1,814,011 | | | | −4,787,115 |
| Appropriation, fiscal year 1964 | 30,852,108 | 310,000 | 76,796,000 | | | | 5,425,893,108 |

FISCAL YEAR 1965 ESTIMATED

| | General operating expenses | Medical administration and miscellaneous operating expenses | Medical and prosthetic research | Medical care | Compensation and pensions | Readjustment benefits |
|---|---|---|---|---|---|---|
| Total costs | $165,557,000 | $12,931,000 | $38,725,387 | $1,160,159,000 | $4,071,422,599 | $47,110,948 |
| Costs financed from obligations of other years, net (−) | −864,000 | | | | | |
| Obligations incurred for costs of other years, net (+) | | | | | | |
| Total obligations | 164,693,000 | 12,931,000 | 38,725,387 | 1,160,159,000 | 4,071,422,599 | 47,110,948 |
| Less reimbursements | −1,823,000 | | | −6,000,000 | | |
| Unobligated balance no longer available | | | | | | |
| Unobligated balance brought forward | | | −1,203,387 | | −422,599 | −1,210,948 |
| Unobligated balance carried forward | | | +261,000 | | | |
| Transfers to other accounts | | +1,965,000 | | | | |
| Transfers from other accounts | | | | | | |
| Subtotal, appropriation, fiscal year 1965 | 162,870,000 | 14,896,000 | 37,783,000 | 1,154,159,000 | 4,071,000,000 | 45,900,000 |
| Less anticipated supplementals | −7,745,000 | −696,000 | −783,000 | −38,224,000 | −108,000,000 | −8,800,000 |
| Appropriation, fiscal year 1965 | 155,125,000 | 14,200,000 | 37,000,000 | 1,115,935,000 | 3,963,000,000 | 37,100,000 |

| | Veterans insurance and indemnity | Grants to the Republic of the Philippines | Construction of hospital and domiciliary facilities | Construction, Corregidor–Bataan Memorial | Soldiers' and sailors' civil relief | Grants for construction, State nursing homes | Total appropriations |
|---|---|---|---|---|---|---|---|
| Total costs | $21,986,282 | $386,000 | $83,094,000 | $68,000 | | | $5,601,440,216 |
| Costs financed from obligations of other years, net (−) | | | | | | | −864,000 |
| Obligations incurred for costs of other years, net (+) | | | +36,718,000 | +32,000 | | | +36,750,000 |
| Total obligations | 21,986,282 | 386,000 | 119,812,000 | 100,000 | | | 5,637,326,216 |
| Less reimbursements | | | | | | | −7,823,000 |
| Unobligated balance no longer available | | | | | | | |
| Unobligated balance brought forward | −7,626,282 | | −39,910,717 | | | | −50,373,933 |
| Unobligated balance carried forward | | | +20,166,717 | | | | +20,427,717 |
| Transfers to other accounts | | | | | | | +1,965,000 |
| Transfers from other accounts | | | −1,965,000 | | | | −1,965,000 |
| Subtotal, appropriation, fiscal year 1965 | 14,360,000 | 386,000 | 98,103,000 | 100,000 | | | 5,599,557,000 |
| Less anticipated supplementals | | −76,000 | | | | | −164,324,000 |
| Appropriation, fiscal year 1965 | 14,360,000 | 310,000 | 98,103,000 | 100,000 | | | 5,435,233,000 |

*Summary of costs related to appropriations*—Continued

FISCAL YEAR 1966 ESTIMATED

| | General operating expenses | Medical administration and miscellaneous operating expenses | Medical and prosthetic research | Medical care | Compensation and pensions | Readjustment benefits |
|---|---|---|---|---|---|---|
| Total costs | $166,102,000 | $13,496,000 | $41,154,000 | $1,184,443,000 | $4,144,666,000 | $36,500,000 |
| Cost financed from obligations of other years, net (−) | | | | | | |
| Obligations incurred for costs of other years, net (+) | | | | | | |
| Total obligations | 166,102,000 | 13,496,000 | 41,154,000 | 1,184,443,000 | 4,144,666,000 | 36,500,000 |
| Less reimbursements | −8,102,000 | | | −7,026,000 | | |
| Unobligated balance no longer available | | | | | | |
| Unobligated balance brought forward | | | | | | |
| Unobligated balance carried forward | | | −261,000 | | | |
| Transfers to other accounts | | | | | | |
| Transfers from other accounts | | | | | −2,666,000 | |
| Appropriation, fiscal year 1966 | 158,000,000 | 13,496,000 | 40,893,000 | 1,177,417,000 | 4,142,000,000 | 36,500,000 |

| | Veterans insurance and indemnity | Grants to the Republic of the Philippines | Construction of hospital and domiciliary facilities | Construction, Corregidor–Bataan Memorial | Soldiers' and sailors, civil relief | Grants for construction, State nursing homes | Total appropriations |
|---|---|---|---|---|---|---|---|
| Total costs | $17,585,000 | $386,000 | $93,271,000 | $950,000 | $25,000 | $5,000,000 | $5,703,578,000 |
| Cost financed from obligations of other years, net (−) | | | | | | | |
| Obligations incurred for costs of other years, net (+) | | | +4,347,000 | +400,000 | | | +4,747,000 |
| Total obligations | 17,585,000 | 386,000 | 97,618,000 | 1,350,000 | 25,000 | 5,000,000 | 5,708,325,000 |
| Less reimbursements | | | | | | | −15,128,000 |
| Unobligated balance no longer available | | | | | | | |
| Unobligated balance brought forward | | | −20,166,717 | | | | −20,427,717 |
| Unobligated balance carried forward | | | +19,554,717 | +50,000 | | | +19,604,717 |
| Transfers to other accounts | | | | | | | |
| Transfers from other accounts | −7,000,000 | | | | | | −9,666,000 |
| Appropriation, fiscal year 1966 | 10,585,000 | 386,000 | 97,006,000 | 1,400,000 | 25,000 | 5,000,000 | 5,682,708,000 |

COST OF HOMETOWN MEDICAL TREATMENT

Mr. THOMAS. I know you are going into these in some detail, Mr. Evins.

What is the cost of the American Medical Association for hometown treatment? How much has that cost risen in the last 3 years?

Dr. MCNINCH. About $200,000.

Mr. THOMAS. About $200,000 a year.

PERSONNEL REQUIREMENTS

Mr. EVINS. Give us a picture of your personnel requirements, Mr. Administrator, including the shifting of personnel and the increases in personnel. Put your finger on that personnel chart, please.

Mr. DRIVER. 1–19, I believe.

Mr. SHYTLE. 1–15 by appropriation; 19, 20, and 21 are all personnel.

Mr. EVINS. Page 1–15 is already in the record but we will insert 19, 20, and 21 at this point.

(The pages follow:)

*Veterans' Administration employment*

| | Average employment | | | | End-of-year employment | | | |
|---|---|---|---|---|---|---|---|---|
| | 1964 | 1965 | 1966 | Increase (+) or decrease (−) | 1964 | 1965 | 1966 | Increase (+) or decrease (−) |
| General operating expenses: | | | | | | | | |
| Jurisdictional | 18,813 | 18,206 | 18,239 | +33 | 18,482 | 18,362 | 17,611 | −751 |
| Common services adjustments | −567 | −557 | −433 | +124 | −567 | −557 | −433 | +124 |
| Net | 18,246 | 17,649 | 17,806 | +157 | 17,915 | 17,805 | 17,178 | −627 |
| Medical administration and miscellaneous operating expenses | 852 | 807 | 840 | +33 | 1,383 | 1,365 | 1,395 | +30 |
| Medical and prosthetics research | 3,029 | 3,187 | 3,366 | +179 | 3,701 | 3,859 | 4,029 | +170 |
| Medical care: | | | | | | | | |
| Jurisdictional | 129,261 | 130,301 | 128,928 | −1,373 | 144,141 | 142,920 | 143,898 | +978 |
| Common services adjustments | +548 | +540 | +433 | −107 | +548 | +540 | +433 | −107 |
| Net | 129,809 | 130,841 | 129,361 | −1,480 | 144,689 | 143,460 | 144,331 | +871 |
| Construction of hospital and domiciliary facilities | 555 | 591 | 577 | −14 | 558 | 627 | 622 | −5 |
| Construction, Corregidor-Bataan Memorial | | 1 | 3 | +2 | | 1 | 3 | +2 |
| Canteen service | 2,873 | 2,884 | 2,920 | +36 | 3,148 | 3,201 | 3,241 | +40 |
| Supply fund: | | | | | | | | |
| Jurisdictional | 655 | 665 | 670 | +5 | 652 | 666 | 668 | +2 |
| Common services adjustments | +19 | +17 | | −17 | +19 | +17 | | −17 |
| Net | 674 | 682 | 670 | −12 | 671 | 683 | 668 | −15 |
| Allocation accounts (net) | | | | | 106 | 109 | 96 | −13 |
| Total, Veterans' Administration | 156,038 | 156,642 | 155,543 | −1,099 | 172,171 | 171,110 | 171,563 | +453 |

NOTE.—See following special analysis "VA Employment—Reconciliation Table" for reconciliation of end-of-year employment and average employment, and for full- and part-time employment information.

*Veterans' Administration employment—reconciliation table*

| Year and appropriation account | Jurisdictional | | | | | | Common services adjustment (all full-time) | Net | |
|---|---|---|---|---|---|---|---|---|---|
| | Average employment | | | End-of-year enployment | | | | Average employment (full-time equivalent) | End-of-year employment (total) |
| | Full-time | Part-time and intermittent (full-time equivalent) | Total | Full-time | Part-time and intermittent | Total | | | |
| Fiscal year 1964: | | | | | | | | | |
| General operating expenses | 18,774 | 39 | 18,813 | 18,358 | 124 | 18,482 | −567 | 18,246 | 17,915 |
| Medical administration and miscellaneous operating expenses | 844 | 8 | 852 | 860 | 523 | 1,383 | | 852 | 1,383 |
| Medical and prosthetic research | 2,855 | 174 | 3,029 | 3,048 | 653 | 3,701 | | 3,029 | 3,701 |
| Medical care | 123,283 | 5,978 | 129,261 | 124,235 | 19,906 | 144,141 | +548 | 129,809 | 144,689 |
| Construction of hospital and domiciliary facilities | 487 | 68 | 555 | 497 | 61 | 558 | | 555 | 558 |
| Canteen service | 2,593 | 280 | 2,873 | 2,591 | 557 | 3,148 | | 2,873 | 3,148 |
| Supply fund | 655 | | 655 | 652 | | 652 | +19 | 674 | 671 |
| Allocation accounts (net) | | | | 85 | 21 | 106 | | | 106 |
| Total, Veterans Administration | 149,491 | 6,547 | 156,038 | 150,326 | 21,845 | 172,171 | | 156,038 | 172,171 |
| Fiscal year 1965: | | | | | | | | | |
| General operating expenses | 18,167 | 39 | 18,206 | 18,238 | 124 | 18,362 | −557 | 17,649 | 17,805 |
| Medical administration and miscellaneous operating expenses | 799 | 8 | 807 | 845 | 520 | 1,365 | | 807 | 1,365 |
| Medical and prosthetic research | 3,004 | 183 | 3,187 | 3,209 | 650 | 3,859 | | 3,187 | 3,859 |
| Medical care | 124,163 | 6,138 | 130,301 | 123,120 | 19,800 | 142,920 | +540 | 130,841 | 143,460 |
| Construction of hospital and domiciliary facilities | 516 | 75 | 591 | 508 | 119 | 627 | | 591 | 627 |
| Construction of Corregidor-Bataan Memorial | 1 | | 1 | 1 | | 1 | | 1 | 1 |
| Canteen service | 2,567 | 317 | 2,884 | 2,566 | 635 | 3,201 | | 2,884 | 3,201 |
| Supply fund | 665 | | 665 | 666 | | 666 | +17 | 682 | 683 |
| Allocation accounts (net) | | | | 84 | 25 | 109 | | | 109 |
| Total, Veterans' Administration | 149,882 | 6,760 | 156,642 | 149,237 | 21,873 | 171,110 | | 156,642 | 171,110 |
| Fiscal year 1966: | | | | | | | | | |
| General operating expenses | 18,200 | 39 | 18,239 | 17,487 | 124 | 17,611 | −433 | 17,806 | 17,178 |
| Medical administration and miscellaneous operating expenses | 832 | 8 | 840 | 845 | 550 | 1,395 | | 840 | 1,395 |
| Medical and prosthetic research | 3,183 | 183 | 3,366 | 3,479 | 550 | 4,029 | | 3,366 | 4,029 |
| Medical care | 122,868 | 6,060 | 128,928 | 124,098 | 19,800 | 143,898 | +433 | 129,361 | 144,331 |
| Construction of hospital and domiciliary facilities | 502 | 75 | 577 | 503 | 119 | 622 | | 577 | 622 |
| Construction of Corregidor-Bataan Memorial | 3 | | 3 | 3 | | 3 | | 3 | 3 |
| Canteen service | 2,598 | 322 | 2,920 | 2,597 | 644 | 3,241 | | 2,920 | 3,241 |
| Supply fund | 670 | | 670 | 668 | | 668 | | 670 | 668 |
| Allocation accounts (net) | | | | 74 | 22 | 96 | | | 96 |
| Total, Veterans' Administration | 148,856 | 6,687 | 155,543 | 149,754 | 21,809 | 171,563 | | 155,543 | 171,563 |

*Comparison of average employment from 1947 through 1966*

| Program or appropriation | 1947 actual | 1948 actual | 1949 actual | 1950 actual | 1951 actual | 1952 actual | 1953 actual | 1954 actual | 1955 actual | 1956 actual |
|---|---|---|---|---|---|---|---|---|---|---|
| General administration [1] | | | | | | | 3,063 | 2,555 | 2,288 | 1,949 |
| Department of Veterans' Benefits [1] | | | | | | | 25,847 | 24,306 | 22,806 | 21,766 |
| Department of Insurance [1] | | | | | | | 11,103 | 9,481 | 7,620 | 6,128 |
| Department of Data Management [1] | | | | | | | | | | |
| General operating expenses, subtotal | 106,684 | 88,619 | 80,071 | 68,990 | 61,277 | 48,676 | 40,013 | 36,342 | 32,714 | 29,843 |
| Medical administration | 3,617 | 3,015 | 2,714 | 1,603 | 1,430 | 1,424 | 1,460 | 1,313 | 1,185 | 1,120 |
| Prosthetic testing and development | | | | | | 12 | 12 | 19 | 23 | 22 |
| Medical research | | 77 | 240 | 371 | 422 | 384 | 518 | 661 | 737 | 787 |
| Medical administrative and miscellaneous operating expenses, subtotal | 3,617 | 3,092 | 2,954 | 1,974 | 1,852 | 1,820 | 1,990 | 1,993 | 1,945 | 1,929 |
| Medical and prosthetic research | | | | | | | | | | |
| Maintenance and operation of hospital | 78,992 | 85,892 | 92,077 | 97,860 | 99,523 | 105,182 | 105,435 | 111,860 | 112,914 | 115,360 |
| Maintenance and operating of nursing home beds | | | | | | | | | | |
| Maintenance and operation of domiciliaries | 5,087 | 2,966 | 3,632 | 4,021 | 4,042 | 4,192 | 4,198 | 3,859 | 4,019 | 3,921 |
| Inpatient care, subtotal | 84,079 | 88,858 | 95,709 | 101,881 | 103,565 | 109,374 | 109,633 | 115,719 | 116,933 | 119,281 |
| Outpatient care | 9,025 | 11,793 | 12,837 | 12,179 | 10,717 | 9,907 | 11,325 | 10,392 | 9,525 | 8,965 |
| Miscellaneous benefits and services | | | | | | | | | | |
| Medical care, subtotal | | | | | | | | | | |
| Maintenance and operation of supply depots | 746 | 945 | 906 | 716 | 538 | 482 | 476 | 405 | 336 | 326 |
| Medical program, subtotal | 97,467 | 104,688 | 112,406 | 116,750 | 116,672 | 121,583 | 123,424 | 128,509 | 128,739 | 130,501 |
| Total [2] | [3] 204,151 | 193,307 | 192,477 | 185,740 | 177,949 | 170,259 | 163,437 | 164,851 | 161,453 | 160,344 |
| Consultants | | | | | | | | | | |
| Construction of hospital and domiciliary facilities | | | | | | | | | | |
| Construction of Corregidor-Bataan Memorial | | | | | | | | | | |
| Subtotal, paid from appropriated funds | | | | | | | | | | |
| Revolving funds: | | | | | | | | | | |
| Supply fund | | | | | | | | | | |
| Canteen service | | | | | | | | | | |
| Grand total | | | | | | | | | | |

| | 1957 actual | 1958 actual | 1959 actual | 1960 actual | 1961 actual | 1962 actual | 1963 actual | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|---|---|---|---|---|---|---|
| General administration [1] | 1,762 | 1,455 | 1,479 | 1,470 | 1,459 | 1,453 | 1,330 | 1,265 | 1,193 | 1,241 |
| Department of Veterans' Benefits [1] | 20,606 | 18,913 | 18,136 | 17,203 | 16,074 | 15,628 | 17,240 | 16,114 | 15,200 | 15,106 |
| Department of Insurance [1] | 5,446 | 4,734 | 4,301 | 4,122 | 3,814 | 3,439 | | | | |
| Department of Data Management [1] | | | | | | | 818 | 867 | 1,256 | 1,459 |
| General operating expenses, subtotal | 27,814 | 25,102 | 23,916 | 22,795 | 21,347 | 20,520 | 19,388 | 18,246 | 17,649 | 17,806 |
| Medical administration | 1,054 | 1,026 | 916 | 772 | 841 | 846 | 855 | 845 | 799 | 832 |
| Prosthetic testing and development | 18 | 22 | 24 | 25 | 26 | 29 | | | | |
| Medical research | 1,030 | 1,286 | 1,518 | 1,778 | 2,032 | 2,442 | | | | |
| Medical administrative and miscellaneous operating expenses, subtotal | 2,102 | 2,334 | 2,458 | 2,575 | 2,899 | 3,317 | 855 | 845 | 799 | 832 |
| Medical and prosthetic research | | | | | | | 2,799 | 2,997 | 3,154 | 3,333 |
| Maintenance and operation of hospital | 116,038 | 114,835 | 113,670 | 114,295 | 115,303 | 117,945 | 115,114 | 113,715 | 114,359 | 112,514 |
| Maintenance and operation of nursing home beds | | | | | | | | | 267 | 1,160 |
| Maintenance and operation of domiciliaries | 3,891 | 3,876 | 3,861 | 3,913 | 3,979 | 3,819 | 3,511 | 3,218 | 3,274 | 2,820 |
| Inpatient care, subtotal | 119,929 | 118,711 | 117,531 | 118,208 | 119,282 | 121,764 | 118,625 | 116,933 | 117,900 | 116,494 |
| Outpatient care | 8,526 | 8,189 | 7,842 | 7,719 | 7,780 | 7,742 [2] | 10,646 | 11,000 | 11,065 | 11,015 |
| Miscellaneous benefits and services | | | | | | | | 788 | 788 | 771 |
| Medical care, subtotal | | | | 125,927 | 127,062 | 129,506 | 129,271 | 128,721 | 129,753 | 128,280 |
| Maintenance and operation of supply depots | 328 | 332 | 363 | 361 | 370 | | | | | |
| Medical program, subtotal | 130,885 | 129,566 | 128,194 | 128,863 | 130,331 | 132,823 | 132,925 | 132,563 | 133,706 | 132,445 |
| Total [3] | 158,699 | 154,668 | 152,110 | 151,658 | 151,678 | 153,343 | 152,313 | 150,809 | 151,355 | 150,251 |
| Consultants | | | | 1,193 | 1,218 | 1,151 | 1,121 | [4] 1,127 | [4] 1,129 | [4] 1,122 |
| Construction of hospital and domiciliary facilities | | | | 438 | 465 | 515 | 536 | 555 | 591 | 577 |
| Construction of Corregidor-Bataan Memorial | | | | | | | | | 1 | 3 |
| Subtotal, paid from appropriated funds | | | | 1,631 | 1,683 | 1,666 | 1,657 | 1,682 | 1,721 | 1,702 |
| Revolving funds: | | | | | | | | | | |
| Supply fund | | | | 243 | 229 | 586 | 653 | 674 | 682 | 670 |
| Canteen service | | | | 2,625 | 2,690 | 2,875 | 2,800 | 2,873 | 2,884 | 2,920 |
| Grand total | | | | 156,157 | 156,280 | 158,470 | 157,423 | 156,038 | 156,642 | 155,543 |

[1] Due to reorganization, comparative employment by the new organizational elements in the appropriation "General operating expenses" for fiscal years 1947 through 1952 is not available.

[2] Excludes consultants.

[3] The peak VA employment (full-time equivalent) was in February 1947.

[4] Department of Medicine and Surgery only.

EMPLOYMENT

Mr. EVINS. Your nonmedical program shows some trend of decrease and your medical programs show an increase from 1964. You had a total of how many employees?

Mr. DRIVER. 156,038 in 1964.

Mr. EVINS. And in 1965?

Mr. DRIVER. 156,642. And in 1966, 155,543, a reduction of 1,099.

Mr. EVINS. This is from 1965 but not from 1964.

Mr. DRIVER. Yes, sir; that is right. From 1964 it would be about 500, less than 500.

Mr. EVINS. Are you not asking for about 450 new jobs in this budget?

Mr. DRIVER. In the general operating area we are asking for personnel in 1966 to implement the insurance reopening. This money will eventually be repaid by reimbursement to the general operating area and a charge to the policyholders. Most of the cost for 1966 is a one-time expense for the initial issue of new policies and we are asking for money to finance it on a temporary basis pending the reimbursement.

Mr. EVINS. We will get into these later. But you are asking 157 new jobs in general operating expenses?

Mr. DRIVER. Yes, sir.

Mr. EVINS. Where are these?

Mr. DRIVER. That is the net resulting from the reduction due to the regional office closings of 17 offices and the increase due to support the insurance reopening in 1966. It nets out at an increase of 157.

Mr. EVINS. Then you want 33 more in miscellaneous administration?

Mr. DRIVER. Yes, sir.

Mr. MONK. For Dr. McNinch's office.

Mr. DRIVER. To implement the nursing home program and to strengthen the other programs in the office.

Mr. EVINS. And 179 more for medical and prosthetic research?

Mr. DRIVER. Yes, sir; this is the regular continued increase in this program as we increase the amounts available for research.

Mr. EVINS. 36 for canteen service and 2 in others.

Mr. DRIVER. Yes, sir.

MEDICAL RESEARCH

Mr. THOMAS. What is going to be the limit on your research program? I remember when we thought $20 million was the ceiling.

Mr. DRIVER. We do not really have a good answer to that, Mr. Chairman.

(Discussion off the record.)

Mr. THOMAS. How much are you carrying over, unobligated, out of last year's medical research funds?

Dr. MUSSER. $200,000 of actual research support money, and there was $1,200,000 of money that was for equipment for new laboratories, but this is always carried over if there is any lag in construction.

Mr. THOMAS. How do you commingle the research funds with equipment funds? That comes under construction money. You do not use these funds for that purpose, do you?

Dr. MUSSER. No, sir; the initial portable equipment for research laboratories have been paid from the research appropriation for the last few years. There is fixed equipment that goes into the laboratories that is paid from the construction fund.

Mr. THOMAS. Buying portable equipment to do research. I thought it was financed out of your construction funds.

Mr. DRIVER. The initial equipment has not been. It has been charged to the research appropriation, has it not?

Dr. MUSSER. That is right.

Mr. DRIVER. When did that begin?

Mr. MONK. About 2 years ago. We are doing that for other construction projects, paying for the initial portable equipment from the medical care appropriation.

RESEARCH FUNDS USED FOR EQUIPMENT AND CONSTRUCTION

Mr. THOMAS. How much money are you spending out of the research fund for construction and portable equipment? It sounds like you may be spending half of it. No wonder it is going up.

Mr. MONK. No, sir; not half.

Mr. THOMAS. How much?

Dr. MUSSER. It runs in the neighborhood of a million and a half dollars a year for new construction.

Mr. THOMAS. What about the portable equipment?

Dr. MUSSER. This is what I am talking about, a million and a half dollars for new construction.

Mr. THOMAS. That includes your equipment?

Dr. MUSSER. For these new laboratories; yes, sir.

Mr. DRIVER. It actually is the equipment in the new construction. It is not the new construction, Mr. Chairman; it is for the equipment that goes into the new construction.

Dr. MUSSER. That is right.

OTHER OBJECTS—TOTAL VA

Mr. EVINS. Continuing on some of the agency summaries, in volume I, employees' travel goes up from $5,356,000 to $5,461,500, an increase of $105,000 over last year.

Rents, communications, and utilities go up $1,016,300.

Other contract services go up to $71 million, an increase of $10,662,383. What are they, in the main?

Mr. MONK. Of course, the medical and dental fees are in here for $10 million, and other contractual services basically have to do with maintenance and repair of field stations. We have a complete breakdown on that.

Mr. EVINS. I understand.

Supplies and materials are up $4 million; equipment up $1,200,000; lands and structure are up $24,387,130 to a total of $93,573,000.

Other items make a total of over $102 million increase in the summary of costs over the budget of last year.

## GENERAL OPERATING EXPENSES

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 128,037 | 132,495 | 132,171 |
| 11.3 | Positions other than permanent | 218 | 1,129 | 3,592 |
| 11.5 | Other personnel compensation | 873 | 758 | 1,722 |
| | Total personnel compensation | 129,128 | 134,382 | 137,485 |
| | Direct costs: | | | |
| | Personnel compensation | 128,821 | 133,382 | 131,619 |
| 12.0 | Personnel benefits | 9,741 | 10,212 | 10,103 |
| 21.0 | Travel and transportation of persons | 3,026 | 3,150 | 3,113 |
| 22.0 | Transportation of things | 394 | 746 | 409 |
| 23.0 | Rent, communications, and utilities | 5,660 | 5,365 | 5,760 |
| 24.0 | Printing and reproduction | 1,672 | 1,528 | 1,565 |
| 25.1 | Other services | 3,925 | 3,003 | 3,254 |
| 25.2 | Services of other agencies | 390 | 318 | 318 |
| 26.0 | Supplies and materials | 2,040 | 1,428 | 1,319 |
| 31.0 | Equipment | 3,234 | 1,171 | 310 |
| 41.0 | Grants, subsidies, and contributions | 727 | 575 | 190 |
| 42.0 | Insurance claims and indemnities | 115 | 47 | 40 |
| | Total direct costs | 159,745 | 160,925 | 158,000 |
| | Reimbursable costs: | | | |
| | Personnel compensation | 307 | 1,000 | 5,866 |
| 12.0 | Personnel benefits | 23 | 71 | 440 |
| 21.0 | Travel and transportation of persons | 6 | 61 | 124 |
| 22.0 | Transportation of things | | | 37 |
| 23.0 | Rent, communications, and utilities | 20 | 242 | 1,031 |
| 24.0 | Printing and reproduction | 4 | 368 | 386 |
| 25.1 | Other services | 38 | 20 | 94 |
| 26.0 | Supplies and materials | 4 | 9 | 87 |
| 31.0 | Equipment | | 52 | 37 |
| | Total reimbursable costs | 402 | 1,823 | 8,102 |
| | Total costs, funded | 160,147 | 162,748 | 166,102 |
| 94.0 | Change n selected resources | −1,005 | −864 | |
| 99.0 | Total obligations | 159,142 | 161,884 | 166,102 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 19,521 | 18,440 | 18,167 |
| Full-time equivalent of other positions | 39 | 183 | 627 |
| Average number of all employees | 18,398 | 17,781 | 17,951 |
| Average GS grade | 6.8 | 6.8 | 6.8 |
| Average GS salary | $7,013 | $7,445 | $7,520 |

### *Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| Direct program costs: | | | |
| 1. General administration | 13,250 | 13,661 | 14,422 |
| 2. Data management | 10,456 | 13,929 | 12,109 |
| 3. Veterans benefits: | | | |
| (a) Program planning and direction | 10,725 | 10,309 | 10,813 |
| (b) Field operations: | | | |
| (1) Executive administration | 3,434 | 3,772 | 3,163 |
| (2) Contact | 7,095 | 7,248 | 6,779 |
| (3) Compensation, pension and education | 37,037 | 36,964 | 37,260 |
| (4) Loan guarantee | 21,478 | 22,786 | 22,274 |
| (5) Guardianship | 12,568 | 12,930 | 12,482 |
| (6) Insurance | 8,663 | 7,058 | 7,639 |
| (7) Office services | 35,039 | 32,268 | 31,059 |
| Total direct program costs, funded | 159,745 | 160,925 | 158,000 |

*Program and financing*—Continued

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities—Continued | | | |
| | Reimbursable program: | | | |
| | 1. General administration | 37 | 48 | 73 |
| | 2. Data management | 22 | 177 | 4,199 |
| | 3. Veterans benefits | | | |
| | (a) Program planning and direction | 10 | 235 | 125 |
| | (b) Field operations: | | | |
| | (1) Executive administration | 11 | 10 | 10 |
| | (2) Contact | 70 | 30 | 30 |
| | (5) Guardianship | 74 | 48 | 48 |
| | (6) Insurance | 155 | 885 | 2,864 |
| | (7) Office services | 23 | 390 | 753 |
| | Total reimbursable program costs | 402 | 1,823 | 8,102 |
| | Total program costs, funded [1] | 160,147 | 162,748 | 166,102 |
| | Change in selected resources [2] | −1,005 | −864 | |
| 10 | Total obligations | 159,142 | 161,884 | 166,102 |
| | Financing: | | | |
| | Receipts and reimbursements from: | | | |
| 11 | Administrative budget accounts [3] | −384 | −1,806 | −8,085 |
| 14 | Non-Federal sources [4] | −18 | −17 | −17 |
| 16 | Comparative transfers from other accounts | −1,024 | | |
| 25 | Unobligated balance lapsing | 2,015 | | |
| | New obligational authority | 159,731 | 160,061 | 158,000 |
| | New obligational authority: | | | |
| 40 | Appropriation | 159,750 | 155,125 | 158,000 |
| 41 | Transferred to "Operating expenses, Public Buildings Service," General Services Administration (77 Stat. 436 and 78 Stat. 654) | −19 | | |
| 43 | Appropriation (adjusted) | 159,731 | 155,125 | 158,000 |
| 44 | Proposed supplemental due to civilian pay increases | | 4,936 | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 159,142 | 161,884 | 166,102 |
| 70 | Receipts and other offsets (items 11-17) | −1,426 | −1,823 | −8,102 |
| 71 | Obligations affecting expenditures | 157,716 | 160,061 | 158,000 |
| 72 | Obligated balance, start of year | 12,682 | 7,847 | 8,755 |
| 74 | Obligated balance, end of year | −7,847 | −8,755 | −8,956 |
| 77 | Adjustments in expired accounts | −218 | | |
| 81 | Balance not available, start of year | | 7 | |
| 82 | Balance not available, end of year | −7 | | |
| 90 | Expenditures excluding pay increase supplemental | 162,325 | 154,375 | 157,648 |
| 91 | Expenditures from civilian pay increase supplemental | | 4,785 | 151 |

[1] Includes capital outlay as follows: 1964, $3,234,000; 1965, $1,223,000; 1966, $347,000.

[2] Selected resources as of June 30 are as follows:

| | 1963 | 1964 adjustments | 1964 | 1965 | 1966 |
|---|---|---|---|---|---|
| Unpaid undelivered orders | 2,155 | −99 | 1,051 | 187 | 187 |
| Advances | 4 | | 4 | 4 | 4 |
| Total selected resources | 2,159 | −99 | 1,055 | 191 | 191 |

[3] Receipts and reimbursements from administrative budget accounts as follows:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Distribution of ADP operations: | | | |
| Medical care | | | 3,675 |
| Supply fund | | | 254 |
| Veterans reopened insurance fund | | 1,650 | 4,000 |
| All other | 384 | 156 | 156 |

[4] Reimbursements are derived from refund of terminal leave payments (5 U.S.C. 61(b)) and proceeds from sale of personal property (40 U.S.C. 481(c)).

Mr. EVINS. Let's turn to general operating expenses. In your appropriation language you ask for $158 million, and no more than 22 persons to be engaged in public relations work. You point out on page 2–3 the five new laws enacted by the Congress that you are required to enforce. Do you have much work in this new insurance field?

Mr. MONK. We are beginning to. The reopened insurance program becomes effective May 1 of this year. We have had a considerable number of inquiries about it.

Mr. EVINS. Mr. Monk, your green sheet shows total positions of 19,521 in 1964; 18,440 in 1965; and 18,167 in 1966. We will include the summary material on 2–1, 2–2, and 2–3 along with the green sheet on page 2–4.

(The pages follow:)

GENERAL OPERATING EXPENSES APPROPRIATION

This apropriation provides for all administrative expenses of the VA other than those applicable to the Department of Medicine and Surgery and the Office of the Assistant Administrator for Construction. Activity classifications for budget purposes include, "General administration," "Department of data management," and "Department of Veterans Benefits." General administration includes the Office of the Administrator and all agency-level supporting staff offices with the exception of the Office of the Assistant Administrator for Construction, which is financed by the construction of hospital and domiciliary facilities.

*Appropriation language.*—Proposed language for fiscal year 1966 is shown below.

"For necessary operating expenses of the Veterans Administration, not otherwise provided for, including expenses incidental to securing employment for and recognition of war veterans; uniforms or allowances therefor, as authorized by law; not to exceed $1,000 for official reception and representation expenses; purchase of one passenger motor vehicle (medium sedan for replacement only) at not to exceed $3,000; and reimbursement of the General Services Administration for security guard services; $158 million: *Provided*, That no part of this appropriation shall be used to pay in excess of 22 persons engaged in public relations work: *Provided further*, That this appropriation may be reimbursed by other appropriations or funds available to the Veterans Administration for automatic data processing and other administrative services furnished for the purposes of such appropriations or funds."

The major proposed changes in language provides authority for (1) reimbursement for automatic data processing services rendered other operating elements, (2) reimbursement for administrative services furnished in connection with the limited reopening of national service life insurance and, (3) the purchase of one medium sedan for replacement in compliance with the established overall policy regarding the types of vehicles to be used by departments and independent agencies of the executive branch.

SUMMARY OF REQUIREMENTS

The following table presents fiscal year comparisons of average employment and appropriation requirements for the general operating expenses appropriation.

| | 1964 | 1965 | 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| General administration: | | | | |
| Average employment | 1,265 | 1,193 | 1,241 | +48 |
| Total costs | $13,286,658 | $13,709,000 | $14,495,000 | +$786,000 |
| Department of Data Management: | | | | |
| Average employment | 867 | 1,256 | 1,459 | +203 |
| Total costs | $10,478,197 | $14,185,000 | $16,308,000 | +$2,123,000 |
| Department of Veterans Benefits: | | | | |
| Average employment | 16,114 | 15,200 | 15,106 | −94 |
| Total costs | $136,382,810 | $137,663,000 | $135,299,000 | −$2,364,000 |
| Grand total: | | | | |
| Average employment | 18,246 | 17,649 | 17,806 | +157 |
| Total costs | $160,147,665 | $165,557,000 | $166,102,000 | +$545,000 |
| Change in selected resources | −1,005,007 | −864,000 | | +864,000 |
| Total obligations | 159,142,658 | 164,693,000 | 166,102,000 | +1,409,000 |
| Less reimbursements: | | | | |
| Distribution of ADP operating costs: | | | | |
| Medical care appropriation | | | −3,675,000 | −3,675,000 |
| Supply fund | | | −254,000 | −254,000 |
| Veterans reopened insurance fund (Public Law 88-664) | | −1,650,000 | −4,000,000 | −2,350,000 |
| All other | −402,110 | −173,000 | −173,000 | |
| Total reimbursements | −402,110 | −1,823,000 | −8,102,000 | −6,279,000 |
| Transfer from other accounts | −1,024,878 | | | |
| Add unobligated balance | +2,014,966 | | | |
| Transfer to GSA | +19,364 | | | |
| Total appropriation estimate | 159,750,000 | 162,870,000 | 158,000,000 | −4,870,000 |

ANALYSIS OF REQUIREMENTS

The fiscal year 1965 total appropriation estimate includes an anticipated supplemental appropriation of $7,745,000. This additional requirement results from the enactment of five public laws during the year. The five laws and the net cost of each are identified as follows:

| | |
|---|---|
| 1. Public Law 88-426: Increases salaries for Federal employees | $4,936 |
| 2. Public Law 88-355: Extends the coverage of TDIP to age 65 | 495 |
| 3. Public Law 88-364: Extends waiver of premiums for totally disabled veterans | 227 |
| 4. Public Law 88-361: Extends educational aid to children of disabled veterans | 587 |
| 5. Public Law 88-664: Revises pension program, reopens NSLI program, provides new "modified life plan" of NSLI | 1,500 |
| Total | $7,745 |

The fiscal year 1966 total appropriation request projects a decrease of $4.9 million over fiscal year 1965. This reduction is due primarily to (1) reorganization and consolidation of field offices; (2) transfer of medical automatic data processing costs to the applicable medical programs; and (3) increased productivity and declining workloads.

*Reimbursable programs*

Both the fiscal years 1965 and 1966 estimates of obligations reflect the impact of Public Law 88-664, approved October 13, 1964. In part, the law provides an opportunity for veterans with service-connected disabilities and veterans with nonservice-connected disabilities made uninsurable by their disability to purchase national service life insurance. All premiums will be paid into a new veterans' reopened insurance revolving fund from which the initial administrative expenses and maintenance costs will be reimbursed to the general operating expenses appropriation. A total of $1,650,000 will be required from the fund during fiscal year 1965 and $4 million during fiscal year 1966 to cover the cost of hiring and training VA personnel, notifying the 3.3 million potentially eligible veterans, modifying existing and developing new computer programs, and issuing the 500,000 policies estimated for fiscal years 1965 and 1966. An average employment of 139 in fiscal year 1965 and 599 in fiscal year 1966 will be required to process this workload.

The Department of Data Management provides automatic data processing services to other VA operating elements. Beginning with fiscal year 1966, the total cost of operating the computer programs of the medical care appropriation and the supply fund will be credited as a reimbursable expense to the Department of Data Management from the affected accounts. The applicable operations cost for fiscal year 1966 is estimated to be $3,929,000.

The requirements for each of the activities in the general operating expenses appropriation are presented and justified in detail in subsequent sections of this submission.

The following table shows by grade the staffing requirements of the activities under this appropriation title.

*Positions by grade and average employment*

| Grade | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Permanent positions: | | | |
| Administrator of Veterans Affairs | 1 | 1 | 1 |
| Deputy Administrator | 1 | 1 | 1 |
| Associate Deputy Administrator | | 1 | 1 |
| Chief Benefits Director | | 1 | 1 |
| GS-18 | 5 | 4 | 4 |
| GS-17 | 11 | 10 | 10 |
| GS-16 | 45 | 43 | 43 |
| GS-15 | 203 | 178 | 178 |
| GS-14 | 391 | 347 | 349 |
| GS-13 | 925 | 929 | 902 |
| GS-12 | 1,801 | 1,797 | 1,755 |
| GS-11 | 1,367 | 1,318 | 1,315 |
| GS-10 | 314 | 317 | 301 |
| GS-9 | 1,745 | 1,665 | 1,624 |
| GS-8 | 541 | 502 | 478 |
| GS-7 | 765 | 718 | 715 |
| GS-6 | 900 | 866 | 844 |
| GS-5 | 2,679 | 2,693 | 2,636 |
| GS-4 | 3,505 | 3,337 | 3,360 |
| GS-3 | 3,061 | 2,668 | 2,633 |
| GS-2 | 1,056 | 878 | 858 |
| GS-1 | 165 | 129 | 119 |
| Ungraded | 40 | 40 | 39 |
| Total permanent positions | 19,521 | 18,440 | 18,167 |
| Deduct: | | | |
| Lapses | 595 | 375 | 410 |
| Paid from other accounts | 573 | 566 | 433 |
| Equivalent for terminal leave | 153 | 132 | 145 |
| Add: | | | |
| Carried in other accounts | 6 | 9 | |
| Other than permanent | 39 | 183 | 627 |
| Payments to other agencies for reimbursable detail | 1 | | |
| In foreign countries | (229) | (231) | (220) |
| Anticipated supplemental | | 90 | |
| Average employment | 18,246 | 17,649 | 17,806 |

GENERAL ADMINISTRATION

Mr. EVINS. Under general administration the Office of the Administrator's expenses go up by $10,000; General Counsel by $21,000; the Board of Veterans' Appeals by $280,000; the Assistant Administrator for Personnel wants a thousand increase; and the Assistant Administrator for Management and Evaluation wants $37,000; and the Controller wants $455,000. This is a lot of administrative cost.

Mr. MONK. The increase in the Controller's office is the centralized audit function, which is a shift from other appropriations, other departments.

Mr. EVINS. You have your General Counsel and Assistant Administrator for Management and Evaluation, and Manager, Administrative Services.

Mr. THOMAS. They have their "medley fund" under one roof where we can pinpoint it. That is a good feather.

Mr. EVINS. We will place in the record the summary on page 3–2.

(The page follows:)

INTRODUCTION

"General administration" is one of three VA activities funded from the "General operating expenses" appropriation—the others being "Department of Data Management" and "Department of Veterans Benefits." This activity consists of the Office of the Administrator and all agency-level staff offices, except the Office of the Assistant Administrator for Construction (which is funded from the "Construction of hospital and domiciliary facilities" VA appropriation).

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Office of the Administrator | $739,432 | $884,000 | $894,000 | +$10,000 |
| Information Service | 510,081 | 567,000 | 567,000 | |
| General Counsel | 1,267,408 | 1,286,000 | 1,307,000 | +21,000 |
| Board of Veterans' Appeals | 3,094,541 | 3,009,000 | 3,289,000 | +280,000 |
| Assistant Administrator for Personnel | 1,091,941 | 1,185,000 | 1,186,000 | +1,000 |
| Assistant Administrator for Management and Evaluation | 2,001,361 | 2,121,000 | 2,158,000 | +37,000 |
| Manager, administrative services | 3,548,842 | 3,516,000 | 3,498,000 | −18,000 |
| Controller | 1,033,052 | 1,141,000 | 1,596,000 | +455,000 |
| Total cost | 13,286,658 | 13,709,000 | 14,495,000 | +786,000 |

**Requirements of each of the above offices are presented and justified in the following pages.**

OFFICE OF THE ADMINISTRATOR

Mr. EVINS. Under the Office of the Administrator as we just pointed out you have an increase of $10,000 but the employment remains the same. We will include in the record, pages 3–3, 3–5, 3–6, and the top half of 3–7.

(The pages follow:)

OFFICE OF THE ADMINISTRATOR

The Administrator is responsible to the President for the administration of veterans' affairs and the laws which govern them.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 55 | 57 | 57 | |
| Costs: | | | | |
| Personal services | $662,879 | $797,900 | $811,700 | +$13,800 |
| Travel and transportation of persons | $22,833 | $31,200 | $31,200 | |
| Transportation of things | $1,347 | $1,000 | $1,000 | |
| Other services | $35,458 | $36,300 | $30,300 | −$6,000 |
| Supplies and materials | $10,161 | $10,400 | $11,600 | +$1,200 |
| Equipment | $6,754 | $7,200 | $8,200 | +$1,000 |
| Total costs | $739,432 | $884,000 | $894,000 | +$10,000 |

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Personal services | $662,879 | $797,900 | $811,700 | +$13,800 |

*Average employment*

The amount requested for personal services is necessary to support the Administrator's staff, distributed as follows:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Administrator, Deputy Administrator, Associate Deputy Administrator and Staff, and Assistant Deputy Administrator and Staff | 34 | 36 | 36 |
| Administrator's Advisory Council | 16 | 16 | 16 |
| Contract Appeals Board | 5 | 5 | 5 |
| Total | 55 | 57 | 57 |

*Administrator*

The Administrator is directly responsible for the establishment of the basic policies governing agency operation; the development and maintenance of its basic organization structure; the interpretation of laws pertaining to veterans' affairs, and the establishment of supplementary regulations; the stimulation and approval of long-range plans; and the development and maintenance of favorable relations with important organizations, groups, and individuals interested in veterans' affairs.

*Deputy Administrator*

The Deputy Administrator is the principal assistant to the Administrator in the administration of the VA.

*Associate Deputy Administrator*

The Associate Deputy Administrator assists the Administrator and the Deputy Administrator in the administration of the VA. He takes independent action for the Administrator on all problems affecting the VA in the areas of office methods and administration, supply management, budget, construction, safety and fire protection, fiscal, personnel, management audits, investigations, emergency preparedness planning, and security, which do not require the personal attention of the Administrator or the Deputy Administrator. He acts for the Deputy Administrator in the latter's absence and for the Administrator in the absence of both the Administrator and the Deputy Administrator. The Assistant

Administrators for Management and Evaluation, Construction, and Personnel; the VA Controller; and the Manager, Administrative Services report to the Administrator and the Deputy Administrator through the Associate Deputy Administrator.

*Assistant Deputy Administrator*

As full assistant to the Administrator and the Deputy Administrator, the Assistant Deputy Administrator participates in high-level policy discussions and contributes recommendations regarding solutions of problems and decisions to be made on all programs administered by VA. As directed, he represents the Administrator with the Congress, other Federal agencies, and the Bureau of the Budget. He also acts for the Associate Deputy Administrator in the latter's absence and for the Deputy Administrator in the absence of both the Deputy Administrator and the Associate Deputy Administrator.

The Assistant Deputy Administrator makes independent recommendations to the Administrator as to areas which should receive priority in substantive research, and recommends approval, disapproval, or revision of plans submitted by department heads and staff offices. He is the Administrator's top planning officer and director of substantive research.

*Executive Assistant*

The Executive Assistant directs the central coordinating staff for the Office of the Administrator. He presents to the Administrator those matters requiring his personal attention. His staff monitors special projects and assignments and insures that required action is controlled and coordinated; does for the Administrator and his deputies what they would do for themselves in their official capacity if they had the time; acts as point of contact for operating matters coming to the Office of the Administrator and is responsible for the last line of review before an action is taken or a decision is made in the operations of the agency; and discharges for the Administrator all matters of administrative nature within the Administrator's Office.

*Administrator's advisory council*

The Administrator's Advisory Council, under a Chairman, advises the Administrator on policies, plans, research programs, organization, and whether established programs are meeting their objectives. The Chairman of the Administrator's Advisory Council is assisted by a Deputy Chairman who is also a member of the Council. The Council is concerned with such matters as how veterans compare with nonveterans, what are the handicaps and needs of veterans in various categories, what new programs are needed, what changes to established programs should be made, and the long-range impact of both existing and proposed programs upon sociological and economic welfare of the veterans population as a whole.

*Contract appeals board*

The Contract Appeals Board is an integral part of the Office of the Administrator. Under the Chairman, this board, by delegation of authority from the Administrator, acts as his authorized representative to ascertain the facts and circumstances attending appeals by contractors from decisions of VA contracting officers under construction, architect-engineer and supply contracts; and to render final decisions on such appeals in accordance with contract provisions.

INFORMATION SERVICE

Mr. EVINS. You show no increases for the Information Service. We will insert pages 3–9, 3–11, and the top half of 3–12.

(The pages follow:)

INFORMATION SERVICE

The threefold mission of Information Service is (*a*) to keep veterans and their dependents informed of their rights and benefits as provided by law, and the proper procedures to be followed in applying for such benefits; (*b*) to keep the general public informed in regard to VA operations, activities, and policy determinations through the release of general information to a wide variety of media, and by answering thousands of inquiries received from newspaper and magazine

representatives, Members of Congress, veterans' organizations, and other individuals and organizations and (c) counseling and advising the Administrator, his principal assistants, and field station managers concerning public interest and reactions as they concern the determination of VA policies.

In providing accurate information through Information Service, VA not only fulfills an obligation to veterans, but also eliminates countless inquiries which would otherwise impose an added administrative burden.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 43 | 43 | 43 | |
| Costs: | | | | |
| Personal services | $439,524 | $485,800 | $494,200 | +$8,400 |
| Travel and transportation of persons | 20,187 | 21,300 | 21,300 | |
| Transportation of things | | 1,500 | 1,500 | |
| Other services | 44,207 | 51,100 | 45,000 | −6,100 |
| Supplies and materials | 5,419 | 4,300 | 4,300 | |
| Equipment | 744 | 3,000 | 700 | −2,300 |
| Total costs | 510,081 | 567,000 | 567,000 | |

*Average employment*

Estimated requirements cover the personal services needs of the Central Office staff and 11 field offices.

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Central Office | 20 | 20 | 20 |
| Field | 23 | 23 | 23 |
| Total | 43 | 43 | 43 |

*Central office staff*

At national level performs full array of informational duties, including preparation of news releases, benefits fact sheets, statistical summaries, radio and television material, magazine articles, speeches, official statements, etc.

Also answers in-person, telephone, and correspondence inquiries and fulfills requests received from media representatives, Members of Congress, veterans organizations, and the general public.

Provides supervision for information service field offices, and counsels and advises the Administrator and his principal assistants concerning public interest in, and reactions to the determination and execution of VA policies.

In addition to VA duties at Washington level spearheads informational activity for ever-growing Government programs such as Veterans' Day, and the President's Committee for Employment of the Handicapped. Also provides assistance for other general programs such as National Hospital Week, National Mental Health Week, Senior Citizens Month, United Nations Day, etc.

*Field personnel*

The typical field office is staffed by 1 information specialist and a secretary, and serves a 5-State area, which includes some 20 VA hospitals and regional

offices, about 2 million veterans, 165 daily newspapers, 800 weekly newspapers, 315 radio stations, and 46 television outlets.

At regional and local levels, the 11 field offices localize and distribute national news releases, radio and television material, and much other informational material, and originate similar materials adapted to the area they serve.

Field personnel advise and counsel VA field station managers and directors on informational and community relations matters; respond to inquiries and requests from regional media and organizations and assist VA operating officials with such special occasion functions as hospital dedications and open houses, as well as providing assistance through the promulgation of correct procedures to follow in seeking benefits, the need for hospital volunteers, the furthering of community acceptance and employment of disabled veterans upon discharge from the hospital, the one-time return of VA pension income questionnaires, etc.

Field personnel assist at the regional and local levels with such programs as Veterans' Day, National Employ the Handicapped Week, National Hospital Week, National Mental Health Week, and Senior Citizens Month.

GENERAL COUNSEL

Mr. EVINS. Your staffing requirements remain the same in the Office of the General Counsel. We will insert in the record, page 3–14 and the workload on 3–16.

(The material follows:)

GENERAL COUNSEL

The General Counsel is the chief officer of the Veterans Administration in all matters of law and legislation.

The primary responsibilities of the Office of the General Counsel are (1) rendering advice and opinions directly and through chief attorneys; (2) reviewing for legal correctness all regulations and directives; (3) collaborating with the Department of Justice on litigation; (4) supervising and coordinating matters pertaining to proposed legislation, Executive orders, and proclamations; (5) maintaining liaison with both Houses of Congress. A summary of the major workloads of the Office is shown in a subsequent section.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 102 | 101 | 101 | |
| Costs: | | | | |
| Personal services | $1,123,938 | $1,214,400 | $1,239,200 | +$24,800 |
| Travel and transportation of persons | 7,718 | 8,300 | 8,300 | |
| Transportation of things | | | | |
| Other services | 4,555 | 500 | 500 | |
| Supplies and materials | 12,129 | 10,500 | 11,000 | +500 |
| Equipment | 4,696 | 5,300 | 8,000 | +2,700 |
| Insurance claims and indemnities | 114,372 | 47,000 | 40,000 | −7,000 |
| Total costs | 1,267,408 | 1,286,000 | 1,307,000 | +21,000 |

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Personal services | $1,123,938 | $1,214,400 | $1,239,200 | +$24,800 |
| Average employment | 102 | 101 | 101 | |

Estimated requirements cover the personal services needs of the General Counsel's Office.

*Summary of major workloads*

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| General Counsel opinions | 1,766 | 1,600 | 1,623 |
| Litigation briefs | 1,615 | 1,600 | 1,594 |
| Legislative history files maintained | 910 | 1,900 | [1] 925 |
| Legislative reports prepared | 331 | 336 | 386 |
| Studies conducted and résumés prepared | 336 | 300 | 355 |

[1] The number of bills introduced concerning veterans serves as the base upon which the number of legislative history files maintained is determined. Experience has shown the 1st session of a Congress to be more active in the introduction of bills than the 2d session.

ASSISTANT ADMINISTRATOR FOR PERSONNEL

Mr. EVINS. You show a reduction of 1 man-year in your personnel office. Insert page 3–25 and the narrative on Career Development Service and Classification and Pay Administrative Service.

(The material follows:)

ASSISTANT ADMINISTRATOR FOR PERSONNEL

The Assistant Administrator for Personnel advises and assists the Administrator in all personnel policy matters; develops agencywide personnel objectives and policies which will enable VA to obtain, develop, and retain the best qualified personnel; and furnishes advice and technical guidance to key agency officials on the application of VA policies and of Civil Service Commission regulations.

*Summary of requirements*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 100 | 102 | 101 | −1 |
| Costs: | | | | |
| Personal services | $1,032,895 | $1,133,500 | $1,134,800 | +$1,300 |
| Travel and transportation of persons | 27,318 | 27,600 | 27,600 | ---------- |
| Transportation of things | 2,196 | 2,100 | 2,100 | ---------- |
| Other services | 16,280 | 14,000 | 13,700 | −300 |
| Supplies and materials | 8,588 | 6,800 | 6,800 | ---------- |
| Equipment | 4,664 | 1,000 | 1,000 | ---------- |
| Total costs | 1,091,941 | 1,185,000 | 1,186,000 | +1,000 |

*Career Development Service*

This Service is responsible for the following major activities:

Plans, recommends, and fosters agencywide policies and programs designed to bring about optimum training and development of the VA's executives, supervisors, and employees.

Recommends plans for merit promotion program for key positions and administers program to facilitate selection of personnel for key management, professional, and administrative positions through the use of inventory, appraisal, and evaluation techniques.

Develops and recommends agencywide policies and guides, and provides agency leadership and technical assistance for VA's incentive awards program.

With the rapid conversion of the various agency processes to ADP there is a continuing need for retraining of personnel and for the indoctrination of management in the use of new and progressive management techniques. Per-

sonnel of this Service will increasingly devote their activities to the development of training materials and promotion of such training to meet the agency's needs. Encouragement of progressive ideas will also be stimulated through the incentive awards program. More effective manpower planning will be encouraged through study and analysis of the inventory of key agency personnel maintained by this Service. Continuation of the estimated average employment for fiscal year 1965 through fiscal year 1966 will be needed to handle this work effectively.

*Classification and Pay Administration Service*

This Service has agency responsibility for all matters pertaining to position classification and pay administration:

Plans, develops, and recommends agency policies, programs, regulations, systems, and procedures, and provides agency leadership in these areas.

Determines need for and initiates action for the development of new or revised Civil Service Commission classification standards, supplements to such standards, and agency guides for evaluation of Classification Act and wage administration positions.

Determines the classification grade for key agency positions such as managers, directors, and GS–15 and recommends action on classfication appeals to the Administrator.

With the passage of pay reform legislation an even closer scrutiny of the agency classification and pay administration program is required. The average staffing of nine for fiscal year 1966 for this Service is considered minimal for this purpose.

MANAGEMENT AND EVALUATION

Mr. Evins. Under the Assistant Administrator for Management and Evaluation, your average employment remains the same but there is an increase of $34,000. Insert 3–33, and 3–35 through 3–38. (The pages follow:)

OFFICE OF THE ASSISTANT ADMINISTRATOR FOR MANAGEMENT AND EVALUATION

The Assistant Administrator for Management and Evaluation formulates and recommends for VA-wide application general policies and plans pertaining to internal audit, investigation, employment policy, emergency planning and security, supply management, manpower utilization, and paperwork management.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 161 | 155 | 155 | |
| Costs: | | | | |
| Personal services | $1,799,636 | $1,913,500 | $1,950,100 | +$36,600 |
| Travel and transportation of persons | 139,740 | 146,400 | 147,400 | +1,000 |
| Transportation of things | 2,462 | 10,000 | 9,000 | −1,000 |
| Other services | 36,968 | 45,100 | 44,500 | −600 |
| Supplies and materials | 3,781 | 3,000 | 3,000 | |
| Equipment | 18,774 | 3,000 | 4,000 | +1,000 |
| Total costs | 2,001,361 | 2,121,000 | 2,158,000 | +37,000 |

*Average employment*

Estimated requirements cover the personal services needs of the Office of the Assistant Administrator for Management and Evaluation and six services as summarized below:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Office of Assistant Administrator | 8 | 6 | 6 |
| Field representatives | 10 | 10 | 10 |
| Equal Employment Opportunity Section | 4 | 4 | 4 |
| Total | 22 | 20 | 20 |
| Investigation Service | 31 | 31 | 31 |
| Internal Audit Service | 39 | 40 | 40 |
| Emergency Planning and Security Service | 6 | 6 | 6 |
| Supply Management Service | 20 | 21 | 21 |
| Paperwork Management Service | 33 | 23 | 23 |
| Manpower Utilization Service | 10 | 14 | 14 |
| Total | 161 | 155 | 155 |

*Office of the Assistant Administrator*

Directs the conduct of necessary studies and research to determine policy requirements within his assigned areas. Maintains liaison with field management through five field representatives located in Atlanta, Boston, Chicago, Dallas, and San Francisco. Each field representative has about 10 States within his jurisdiction. As employment policy officer for Veterans' Administration represents and acts for the administrator in all matters coming within the purview of Executive Order 10925. Continues emphasis on a positive and active administration of the program to provide equal employment opportunity for all.

The following tables show major workloads.

*Field representatives*

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Preliminary inquiries | 78 | 75 | 75 |
| Station visits | 316 | 270 | 270 |

*Equal employment opportunity section*

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Cases closed | 107 | 130 | 130 |

*Investigation Service*

The Investigation Service conducts investigations of management and administration, employee conduct and irregularities agencywide. During fiscal year 1964, 109 investigations were conducted which resulted in disciplinary or corrective action. Eighty-three new cases of veterans reported missing were circularized, and 98 were located, reported as deceased, or the case closed. The Service reviewed, analyzed, and processed 2,919 FBI reports pertaining to VA matters and 691 field station reports. A technical laboratory is operated for examination of documents, fingerprints, and analysis of other material. During fiscal year 1964, 1,755 opinions were rendered. Of these 1,532 resulted from a special study to determine if insurance benefits paid by the Manila regional office to beneficiaries over 80 years of age were in fact reviewed by them.

It is estimated that 110 investigations will be conducted in fiscal year 1966.

*Internal Audit Service*

Audits overall management and operations effectiveness at major VA field stations and conducts inclusive surveys of operating effectiveness of all activities and elements of VA as a basis for protective and constructive service to management. The workload table is as follows:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Audits authorized and anticipated: | | | |
| Field station audits | 6 | 10 | 13 |
| State soldiers homes audits | 1 | 3 | |
| Special studies | 6 | 8 | 6 |

*Emergency Planning and Security Service*

Coordinates development of agency national emergency plans and preparedness functions and the implementation of national civil defense plans and the disaster relief program. Administers VA's document and personnel security program.

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Security cases reviewed and adjudicated | 659 | 700 | 700 |

*Supply Management Service*

Formulates and recommends general policies and plans of agencywide application for contract administration; procurement, storage, distribution, control, and conservation of supplies and equipment and nonpersonal services; inventory management, perpetual inventory systems and the disposition of excess personal property; the supply fund.

Provides support to all supply programs in VA and its Federal agency customers to assure the acquisition, distribution, and maintenance of supplies, equipment, and services in the most economical manner. This includes the most extensive medical program in the Federal Government, and other programs in regional offices, centers, area medical offices, and outpatient clinics throughout the United States, Republic of the Philippines, and the Commonwealth of Puerto Rico.

The following table shows major workloads.

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Special projects | 4 | 7 | 6 |
| Program evaluations | 6 | 6 | 5 |
| Staff studies | 5 | 6 | 5 |
| Compliance reviews | 129 | 115 | 130 |

*Paperwork Management Service*

This staff element was established to develop policies and guidelines and to administer agency controls for the management of paperwork from creation to final disposition. The functions of this Service include records, administrative issues, forms, mail, correspondence, employee and beneficiary travel. Major workloads are shown on the following table:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Records management actions completed | 95 | 110 | 102 |
| Forms management actions completed | 880 | 880 | 860 |
| Administrative issues processed | 400 | 400 | 387 |
| Projects and special assignments | 31 | 25 | 30 |

*Manpower Utilization Service*

This Service has staff responsibility for improvement of management at all levels through the best utilization of manpower and application of progressive techniques in management production and quality standards and controls; work and productivity measurement; and manpower planning and forecast. Workload table is as follows:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Projects authorized and anticipated | 7 | 10 | 8 |

BOARD OF VETERANS' APPEALS

Mr. EVINS. You are requesting an increase of 24 average employment under the Board of Veterans' Appeals. This is occasioned by your anticipated increase in appeals workload. Insert pages 5-18, 5-20, 5-21, and the workload on 5-22.

(The pages follow:)

BOARD OF VETERANS' APPEALS

The Board of Veterans' Appeals is a statutory Board created in 1933. Its authority is now defined in title 38 United States Code, chapter 71. The Board is under the control and supervision of a chairman, who is the top appeals officer of the VA. He is directly responsible to the Administrator for deciding appeals in all claims involving benefits under laws administered by the VA.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 359 | 380 | 394 | +14 |
| Costs: | | | | |
| Personal services | $3,093,894 | $3,327,335 | $3,721,135 | +$393,800 |
| Travel and transportation of persons | 9,894 | 11,130 | 11,130 | |
| Transportation of things | | 2,000 | 4,197 | +2,197 |
| Other services | 15,427 | 14,400 | 16,900 | +2,500 |
| Supplies and materials | 3,905 | 4,000 | 4,000 | |
| Equipment | 4,920 | 32,000 | 18,000 | −14,000 |
| Total costs | 3,128,040 | 3,390,865 | 3,776,362 | +385,497 |

*Average employment*

Estimated requirements cover the personal services needs of the Chairman's immediate office and three services, as summarized below:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Office of Chairman | 8 | 8 | 8 | ---------- |
| Appellate services | 158 | 138 | 150 | +12 |
| Administrative service | 133 | 114 | 126 | +12 |
| Total | 299 | 260 | 284 | +24 |

Average employment levels of 260 and 284 are required for 1965 and 1966, respectively, and will enable the Board to render appellate decisions of high quality in a timely manner in volume approximating the anticipated workload. Personnel requirements for accomplishing the Board's mission are determined by use of work measurement techniques and principles. Estimates for measured activities are developed by applying work performance standards to anticipated workloads. Staffing requirements for planning, program direction, and supervision, as well as overall personnel in the limited nonmeasurable areas, are dictated by experience.

The increased staffing for 1966 over 1965 is directly attributable to the anticipated increase in the appeals workload. The increased cost 1966 over 1965, is due to an increase of 24 in average employment and to a slightly higher base pay due to periodic step increases.

In 1964 the full impact of Public Law 87–666, statement of case, was being felt and as a result the number of cases requiring Board consideration was reduced. During this interim period in which the Board's workload was slowly building to its new level, personnel surplus to our immediate needs were detailed to assist in working off the increased field office workload, thereby facilitating a normal appellate program at an earlier date. During this period, too, the effective detailing of personnel to useful work outside of the Board permitted the balancing of employment levels to workload demands through attrition and placement of surplus employees, obviating resort to reduction-in-force procedures.

*Office of Chairman*

Pursuant to statute, the Chairman is responsible to the Administrator for the activities of the Board of Veterans Appeals in the consideration and determination of appeals for benefits under all laws administered by the VA. The proposed staffing is required to effectively plan, direct, and coordinate manpower resources and to assure that the Board's mission is accomplished efficiently and economically.

*Appellate services*

The professional activities of the Board relating to the determination of appeals for VA benefits are centered in two appellate services. Each service comprises six sections of three Board members, supported by a legal consultant staff and medical advisers. The associate members make determinations and enter decisions on all questions and motions on appeals involving claims for benefits under all laws administered by the VA. The consultant staff assists the Board members in the preliminary review of the appealed issues, the conduct of research as indicated, and preparation of briefs based on research. Medical advisers serve both Board members and legal consultants.

The major objectives is to decide appeals in accordance with governing statutes, with sympathetic understanding and as expeditiously as possible consistent with quality, in order to grant all benefits to which veterans and their dependents are entitled. The decisions of the Board are final, with the exception that claims involving insurance contracts are subject to court review. Reconsideration of an appellate decision may be accorded for obvious error of fact or law upon allocation of the claimant or on the Board's own motion, or upon discovery of additional service department records. We estimate a workload of 22,000 and 24,000 cases for fiscal year 1965 and fiscal year 1966, respectively. Many of the decisions entered in these cases will involve multiple issues and include contesting claims by two or more claimants.

*Administrative service*

This service is responsible for legal and administrative activities, preliminary, during, and subsequent to appellate review and all adjunct services required in the preparation and processing of decisions; for the preparation of professional and administrative correspondence concerning activities of the Board; for the maintenance of a docket and the assignment and control of cases to professional personnel for preparation of appellate decisions; and for the maintenance of statistical data and the preparation of reports relating to the Board's activities.

*Summary of workload*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) decrease (−) |
|---|---|---|---|---|
| Total case receipts | 18,669 | 22,000 | 24,000 | +2,000 |
| Disability benefits | 15,722 | 18,447 | 20,048 | +1,601 |
| Death benefits | 2,040 | 2,468 | 2,752 | +284 |
| Insurance | 254 | 315 | 360 | +45 |
| Waivers and forfeitures | 653 | 770 | 840 | +70 |

The workload estimates are developed by applying experience factors to trends in workloads from which appeals are received. The workload for fiscal year 1964 is not considered to be representative of a normal year. During the first half of the year appellate processes were still being geared to Public Law 87-666, statement of case law procedures. This resulted in a lag in cases received in Washington with some backlogging in offices of original jurisdiction. Experience data indicate that the fiscal year 1965 and 1966 workload estimates are conservative.

Mr. EVINS. The Board of Veterans' Appeals wants $280,000 increase and 24 new jobs.

Mr. MONK. This is increased workload, Mr. Evins.

Mr. EVINS. How many boards do you have functioning?

Mr. STANCIL. Twelve.

Mr. EVINS. How many in the past?

Mr. STANCIL. I think the highest number was 14 in the last several years.

Mr. EVINS. You are going down in number of boards and you want more money.

Mr. STANCIL. We came down after the passage of the "Statement of the case" law. The workload dropped from 36,000 or 37,000 cases per year and is now built back up again to what we think is a leveling-off workload of 24,000 to 25,000. This is a long-range decrease, sir; an increase when compared to last year.

Mr. EVINS. You want 24, and your green sheet shows you have 25 15's, 32 14's, 46 13's, 30 12's, and you are asking for 52 13's. The ones you are asking for at the 4, 5, and 6 level are not lawyers, are they?

Mr. MONK. No; these are clerical people.

Mr. EVINS. And what amount of this is due to the salary increase, the automatic pay increase? How many pay raises and automatic step increases in the Board of Veterans' Appeals will there be next year?

Mr. STANCIL. I do not have that figure here available. I will be glad to get it.

(The information supplied follows:)

The $294,000 increase in "Personal services" over 1965 includes $265,500 to cover salaries of the 24 additional employees and $29,100 to provide for with-in grade raises for 83 employees. The within-grade pay raises represent the actual number to become due during fiscal year 1966 and assume an acceptable level of competence by all.

ADMINISTRATIVE SERVICES

Mr. EVINS. Insert pages 3–41 and 3–43 in the record.

(The pages follow:)

ADMINISTRATIVE SERVICES

The Manager, Administrative Services, is responsible for the provision of general administrative services. Many varied services for central office, as well as several VA-wide services are furnished by its employees.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 431 | 400 | 400 | +1 |
| Costs: | | | | |
| Personal services | $2,638,241 | $2,637,100 | $2,662,800 | +$25,700 |
| Travel and transportation of persons | 5,691 | 5,900 | 5,900 | |
| Transportation of things | 33,891 | 29,500 | 29,500 | |
| Rents, communications, and utilities | 205,931 | 181,500 | 181,800 | +300 |
| Printing and reproduction | 357,938 | 361,100 | 351,400 | −9,700 |
| Other services | 127,208 | 167,600 | 133,400 | −34,200 |
| Supplies and materials | 155,063 | 121,700 | 121,700 | |
| Equipment | 24,636 | 11,600 | 11,500 | −100 |
| Insurance claims and indemnities | 243 | | | |
| Total costs | 3,548,842 | 3,516,000 | 3,498,000 | −18,000 |

*Average employment*

Estimated personnel service requirements for the Office of the Manager and four divisions, as summarized below, are generally based on application of work rate standards to the projected workload:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Office of the Manager | 13 | 13 | 11 | −2 |
| Office Services Division | 301 | 271 | 274 | +3 |
| Central office Finance Division | 44 | 44 | 45 | +1 |
| Building and Supply Division | 54 | 52 | 51 | −1 |
| Audio Visuals Division | 19 | 20 | 20 | |
| Total | 431 | 400 | 401 | +1 |

*Office of the manager*

Primary functions include providing basic office service support in central office and certain specialized operating services on a VA-wide basis. Day-to-day functions and activities provide for fiscal services; audio visuals services; mail messenger, claims folder transfer, telecommunications, travel; procurement, storage and issuance of supplies, personal property repair and maintenance, civil defense, and safety and fire protection. Some of the services furnished on a VA-wide basis are supplemental claimant identification, veteran folder location, development of veterans records, processing notices of death, allotment and control of claim numbers, authorizing issuance of Presidential Memorial Certificates, and language translation; printing and reproduction services including distribution, and a visuals presentation program including film distribution.

Mr. EVINS. The Office of the Manager of Administrative Services. What does he do that the other general administration officers do not do?

Mr. MONK. He is the housekeeper for the central office here in Washington. He has the mail, the files, the records, and other housekeeping activities.

OFFICE OF THE CONTROLLER

Mr. EVINS. Next is the Office of the Controller. [Reading:]

The increases in average employment and costs in 1966, are, in the main, attributable to centralization of the fiscal audit function in the Office of Controller. Corresponding decreases are reflected in the budget estimates for the Departments of Data Management, Veterans' Benefits, and Medical Administration.

My thought was that Data Management was up to $2 million.

Mr. MONK. That is right, but with this audit function we have previously carried these 24 people in Data Management, Veterans Benefits, and Medical Administration. We merely switch them over from these Departments into the Office of the Controller.

Mr. EVINS. Insert pages 3–50 and 3–52 in the record.

(The pages follow:)

OFFICE OF THE CONTROLLER

The VA Controller is the top financial management officer of the agency. On a VA-wide basis, the responsibilities of his office cover the areas of budget, financial management, research statistics, and reports management.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 74 | 75 | 99 | +24 |
| Costs: | | | | |
| Personal services | $851,931 | $944,400 | $1,305,700 | +$361,300 |
| Travel and transportation of persons | 11,610 | 23,200 | 118,200 | +95,000 |
| Other services | 164,427 | 165,500 | 166,200 | +700 |
| Supplies and materials | 1,646 | 2,600 | 2,600 | |
| Equipment | 3,438 | 5,300 | 3,300 | −2,000 |
| Total costs | 1,033,052 | 1,141,000 | 1,596,000 | +455,000 |

The increases in average employment and costs in 1966, are, in the main, attributable to centralization of the fiscal audit function in the Office of Controller. Corresponding decreases are reflected in budget estimates for the Departments of Data Management, Veterans Benefits, and Medical Administration.

*Average employment*

Estimated requirements cover the personal services needs of the Controller's immediate office and four services, as follows:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Immediate office | 3 | 4 | 4 | |
| Budget service | 28 | 28 | 28 | |
| Financial management service | 23 | 23 | 47 | +24 |
| Reports management service | 12 | 12 | 12 | |
| Research statistics service | 8 | 8 | 8 | |
| Total average employment | 74 | 75 | 99 | +24 |
| Personal services costs | $851,931 | $944,400 | $1,305,700 | +$361,300 |

The increase in personal service cost in 1965 is due primarily to statutory pay increases—the second phase of Public Law 87–793 and Public Law 88–426. The increase in average employment in 1966 is attributable to the transfer of the fiscal audit function from D.M. & S., DVB, and DDM to the Controller. Corresponding decreases are reflected in their estimates.

Of the total increase in cost in 1966 over 1965, $278,000 is attributable to the transfer of the fiscal audit function to the Controller and $65,000 is attributable to General Operating Expense appropriation share in 1966 for payment of benefits from the employees compensation fund, (Department of Labor). Payments in prior years, covering VA's share were paid from other appropriation amounts.

Mr. EVINS. You want an increase of 24 personnel in this area.

Mr. SHYTLE. That is by transfer from the three offices, and the travel increase is commensurate.

Mr. EVINS. You have controllers in every hospital, you have controllers in every field office, you have controllers in every division.

Mr. SHYTLE. We have a controller in the three departments, a controller-type person in the three departments, and then we have the Central Controller's Office, which is the staff arm of the Administrator, and has the policy and procedures development, and so forth, for this type of function.

Mr. MONK. We do not have a controller in every field station; we have a fiscal officer in every field station.

Mr. EVINS. You have created another new service, Office Service you call it, have you not?

Mr. MONK. No; we have always had Office Services. That is under the Department of Veterans Benefits where we combined finance, personnel, and administrative services.

Mr. EVINS. Do you think you need these 24 new jobs in the Controller's Office?

Mr. MONK. Mr. Evins, these are not new; these jobs have existed in the Veterans' Benefits, Medical Administration, and Data Management. We are merely shifting them over into the Controller's Office. So this is not a net increase. This is merely a transfer of this function from one place in the budget over into the Office of the Controller.

Mr. EVINS. Under Financial Management Service, you say this Service is responsible for research and application of new techniques and procedures in financial operations and management information systems, and maintains the Administrator's chart room.

Mr. MONK. That is done in the Controller's Office; yes, sir.

Mr. EVINS. I think the Controller is very essential, very vital to a big agency, but my impression is you have this type personnel all over the lot.

Mr. DRIVER. We just have them in four places, unless you consider the fiscal officer at the field stations. The Controller-type function is limited to the departments and the Administrator's Office. Actually, this consolidation of the 24 audit people is an effort to centralize some of these functions in one place.

## DEPARTMENT OF DATA MANAGEMENT

Mr. EVINS. We will turn to the Department of Data Management, and this is one of your major departments, one of the three operating divisions. We will insert the summary material on 4–2, 4–4, and 4–5.

(The pages follow:)

### INTRODUCTION

**The Department of Data Management is one of three operating departments of the Veterans Administration—the other two being the Department of Veterans Benefits and the Department of Medicine and Surgery. The Department was established in February 1963 and consolidated all automatic data-processing activities of the Veterans' Administration under one head. The Chief Data Management Director is responsible to the Administrator for designing, developing, installing, and maintaining a coordinated VA-wide automatic data-processing system. The organization is such that it can provide ADP service efficiently and economically to all organizational elements of the VA, other agencies and nongovernmental establishments. The goal of this Department is to make optimum use of ADP resources, to improve manpower utilization, reduce operating costs, and furnish the best possible service.**

The Chief Data Management Director, assisted by the Deputy Chief Data Management Director and Central Office staff elements, administers the operations of data-processing centers and data-processing branches located throughout the United States and the Philippine Islands.

In the performance of its mission, the Department—

Identifies areas of potential ADP applications within the VA and conducts system studies.

Designs, develops, and installs new automatic data-processing systems to improve the quality of service to veterans and furnish timely information for management and research.

Conducts a continuing review of the VA automatic data-processing systems and equipment to realize further improvements and economies.

Furnishes technical staff advice and assistance to all organizational elements of VA.

Provides staff assistance agencywide on communications.

MAJOR FUNCTIONS

The budgetary requirements for the Department have been developed and are presented on the basis of three major functions:

I. Operations.
II. Telecommunications.
III. Research and development.

The basic activities performed in each function are:

*Operations*

Maintaining and operating the data-processing centers and branches.

Preparing and coordinating operational procedures and instructions for data processing.

Maintaining in a current status all computer programs.

Preparing computer programs that provide required management reports and data.

Developing and conducting ADP systems audit program.

Directing the overall activities of the Department of Data Management.

Developing and conducting a continuing program of evaluation and review of the internal management of the Department.

Expanding and developing punched-card systems and procedures as an interim to computer systems.

Providing basic administrative support to the Department, such as: budget, accounting, publications, safety and work measurement.

*Telecommunications*

Providing technical and management direction for the VA teletype network.

Providing consultant and advisory services on all VA communication systems, including those in VA hospitals.

Maintaining a central control of all ADP, data-transmission and electronic communications programs.

Maintaining liaison with other Government agencies and industry concerned with electronic communications.

*Research and development*

Conducting research and exeprimentation in ADP equipment and techniques.

Conducting long-range planning with the objective of providing a total information-processing system.

Designing, developing, and installing new ADP systems.

Maintaining liaison with data-processing elements of Government and industry, including equipment manufactures in order to keep abreast of the advancements in computer technology.

Developing and conducting a cost-estimating program in order to determine economic advantages of proposed ADP systems.

Training and developing employees in the technical specialties of ADP systems analysis and programing.

Mr. EVINS. The Department administers the operation of the data-processing centers and the data-processing branches located throughout the United States. How many do you have?

Mr. BUDD. We have five data-processing centers.

Mr. THOMAS. What do you mean by data-processing centers?

Mr. BUDD. Data-processing centers are where we have our computers.

Mr. THOMAS. Nothing but your computers?

Mr. BUDD. We also have punchcard equipment which is used on the periphery of the operation.

Mr. THOMAS. How many specific jobs are you looking for in 1966 for automatic data processing? Do you go from 199 to 217?

Mr. BUDD. Yes, sir; this is for research and development.

Mr. THOMAS. What activities are you engaged in now? What departments do you touch?

Mr. BUDD. We touch all departments, sir.

Mr. THOMAS. Some of them you just touch lightly now.

Mr. BUDD. Sir; we have a program laid out, a study program, which will extend over 5 years. We have picked those programs which are most susceptible to data processing, and we are studying those areas which will have the most return at the earliest date.

Mr. THOMAS. In the whole Department of Data Management, if you go into that, you have about 1,400 people, have you not?

Mr. BUDD. That is right.

Mr. THOMAS. You confuse us. In here what we are talking about now is ADP equipment, and you are looking for 217 jobs in there.

Mr. BUDD. Our 1,459 people, sir, are used three different ways. We identify them in our budget as Operations. These are the people who run the equipment in the field, in the data-processing centers, and in the data-processing branches.

Mr. THOMAS. You mean figuring out what you are going to run through your equipment?

Mr. BUDD. No, sir. After these studies are finished and the programs are written, procedures are written, the system is installed, then it becomes an ongoing operation. It is installed at a data processing center, and they operate it from day to day. That is what we have termed "Operations."

Mr. THOMAS. How many people have you that you are now using to do your research and development of your different programs and material where you are going to feed into the equipment, and then after you get it you send it back to the field? Including everybody that is engaged in touching it in any shape, form, or fashion it totals about 1,400 people. Where is your reduction?

Mr. BUDD. 217, sir, are used for the research and development studies. Fifteen are in telecommunications, and the balance are in Operations.

Mr. THOMAS. How many people do you have in your actual operations here—1,227, an increase of 88?

Mr. BUDD. That is right.

Mr. THOMAS. This is very confusing, Mr. Chairman. He has a lot of people here. I do not know whether he has any savings or not. It looks to me like when you get through you have more people researching and putting your programs into operation after the equipment functions. Where is your saving? How many people did you have to start with? You wanted 1,459, an increase of 203 this year over last year. Your savings are not apparent.

Mr. BUDD. Sir, we have a long list of the savings that have been realized from data processing that we would like to submit for the record.

Mr. THOMAS. Just read it to us.

Mr. BUDD. It is quite lengthy.

Mr. THOMAS. Is that in your justification?

Mr. BUDD. In our justification, the research and development on page——

Mr. THOMAS. No; the savings, the sheet you have there. Is that in your justification?

Mr. BUDD. No, sir. We do not have the total savings listed. We do have a listing which we can submit.

Mr. THOMAS. You missed the boat. That is about the most important justification, showing what you are doing with all of those people.

Mr. DRIVER. Starting on page 4–26 are listed individual projects, some with savings. On 4–26 is the patient care subsystem.

Mr. THOMAS. Wait a minute, now.

Mr. DRIVER. That is the first one. The feasibility studies are still in progress and the savings would not be available.

Mr. THOMAS. This is under the Department of Data Management. That is what I was looking for awhile ago. Go ahead now.

Mr. DRIVER. The first dollar saving list—will you run through this—is on 4–27 where we talk about manpower administration subsystem. It is anticipated that savings of approximaately $1,770,000 annually will be realized. The first part of the reduction, $550,000, is reflected in fiscal year 1966.

Mr. THOMAS. Where is that coming from?

Mr. DRIVER. From automating the entire payroll in the Veterans Administration and eliminating the positions.

Mr. THOMAS. This is making up the payroll itself, then?

Mr. DRIVER. Yes, sir.

Mr. THOMAS. It comes under this division?

Mr. DRIVER. It comes under all our individual field stations and under the housekeeper in the central office.

Mr. THOMAS. It comes under the Controller now, or the head housekeeper? I thought the Controller had the payroll now.

Mr. MONK. No. The processing of the payroll is through the machines. I think we ought to be absolutely——

Mr. THOMAS. You have one group here handling the preparation and another doing the handing out of the checks? I did not think anybody touched the checks any more, do they?

Mr. MONK. After we get it all on the machine they will not, because we will process the timecards through the machine, and Treasury will write a check.

Mr. THOMAS. You have an overlap there between the Controller and the housekeeper.

Mr. MONK. I do not think so, Mr. Chairman.

Mr. THOMAS. Spell it out, then.

Mr. MONK. I think what we need to clearly understand, is that when we created the Department of Data Management we took the people that were in the Insurance Department——

Mr. THOMAS. You drew them from all over the lot.

Mr. MONK. We drew them from all over, and put them under one department. Now this did not add people when we did this.

Mr. THOMAS. You set out here under estimated dollar saving. [Reading:]

**The VA budget request reflects a reduction of $550,000 in fiscal year 1966, attributable to this system. It is anticipated that savings of approximately $1,770,000 annually will eventually be realized.**

How many jobs did you save?

Mr. BUDD. I have a listing, sir, that has the man-years and the estimated savings.

Mr. THOMAS. Read it into the record. Don't throw at us five fine print sheets, just tell us what is in it. You have now 1,459 people. How many did you have before? That is the question. How many are doing the same or similar work? You created this new department.

Mr. BUDD. Sir, before the Department was organized we had 1,511 people doing data processing work in the Veterans Administration. We are some 52 below at this point what we had at that time. This does not count the reduction——

Mr. THOMAS. You saved 52. What is the other saving, if any?

Mr. BUDD. We save 4 man-years from the system on storage and retrieval of dividend information. We save 4 man-years in nutritional analysis by computers. We save 31 man-years on conversion of insurance actuarial records, 107 man-years on the personnel pay and accounting, and 175 equivalent man-years on automated management information system. We estimate about 230 man-years on logistics system, and 19 man-years——

ADP PERSONNEL

Mr. THOMAS. Let me interrupt you just a minute. You say here in 1965 you had 1,265 and 1,459 in 1966. That is an increase of about 200 over last year. Where is your saving?

Mr. BUDD. That is the transfer of bodies. Again, as we were talking about the fiscal audits, it is a sheer transfer of what exists today from one department to another.

Mr. THOMAS. You have a figure of 1,459 which you have for 1966. How many bodies did you have doing the same or similar work in 1964 and 1965?

Mr. MONK. In 1963 we had 1,511, Mr. Chairman, which is 52 more.

Mr. THOMAS. What about 1965, Mr. Monk? Your plus figure excites us. If you had a saving in the beginning, now you are eating up your saving with an increase of 203.

Mr. BUDD. No, sir. The reductions are taking place in the other departments and in the staff offices.

Mr. DRIVER. They have continued right through today transferring these units.

Mr. THOMAS. What is your saving from 1965 to 1966, talking now from all over the lot? You bring men together and for 1966 you want 1,459, which is an increase of 203 over last year. How many did you have all over the lot last year doing this job?

Mr. MONK. We had 38 more. We had 38 more in 1965 than we have in 1966.

Mr. THOMAS. If you go up to 203, it looks like to me you have a plus of 170.

Mr. MONK. We are taking them out of the other departments. I think what we need to submit for the record is a comprehensive table showing how many people we had and where they were.

Mr. THOMAS. You do not have to change the figures. When you get through with showing a plus this year over last year of 203 people you cannot put your finger on a direct saving.

Mr. BUDD. Yes, sir. We transferred 96 man-years in from one source, common services, transferred in 145 man-years from Medical, and this exceeds the 203. There is actually a net reduction there.

Mr. THOMAS. What is the net reduction? Give us the wrap-up.

Mr. MONK. Thirty-eight.

Mr. THOMAS. That beats none at all.

Mr. EVINS. Why do you not supply us a table showing how many you formerly had in operations, how many today, how many in telecommunications.

Mr. BUDD. Operations are staying about the same, sir.

Mr. EVINS. And research and development.

Mr. MONK. I believe we can give you a comprehensive table that will show where these people were in the budget, where they are now, and the net change, which will be a reduction, a net reduction in total people.

(The information supplied follows:)

*Employees engaged in data processing in Veterans Administration*

| Department or activity | Actual, Jan. 31, 1963 | Actual, fiscal year 1964 | Estimated, fiscal year 1965 | Estimated, fiscal year 1966 | Increase (+) or decrease (−) (1965–66) |
|---|---|---|---|---|---|
| General administration (staff offices) | 122 | | | | |
| Department of Veterans Benefits | 1,024 | 395 | | | |
| Department of Medicine and Surgery | 352 | 169 | 145 | | −145 |
| Department of Data Management | | 854 | 1,242 | 1,444 | +202 |
| Common services provided Department of Medicine and Surgery by Department of Data Management | | 19 | 96 | | −96 |
| Subtotal for data processing | 1,498 | 1,437 | 1,483 | 1,444 | −39 |
| Communications staff | 13 | 13 | 14 | 15 | +1 |
| Total | 1,511 | 1,450 | 1,497 | 1,459 | −38 |

Mr. EVINS. Your figures here show a jump from 867 to 1,266 from 1964 to 1965.

Mr. MONK. Yes, sir.

Mr. EVINS. You had better supply those tables.

Mr. THOMAS. You had better come up with a bigger reduction than the 38 next year or we are going to put the finger on you and tell you you do like everybody else. The more you spend for data processing, the more reorganization and more administrative expense increases. This year you had a reduction of 38 bodies; is that it?

Mr. MONK. Yes, sir. In 1966 from 1965.

Mr. EVINS. I do not see that in the budget, myself.

Mr. THOMAS. You will just have to take the doctor's word for it. He has not been wrong in 30 years.

Mr. EVINS. Their own figures show they increase.

Mr. BUDD. That is transfer, sir.

Mr. EVINS. The central office, 43 increase, field stations, 64 increase, and the net average increase is about 203.

Mr. BUDD. But we are transferring from other elements of the Veterans' Administration into data management.

TOTAL POSITIONS—DATA MANAGEMENT

Mr. EVINS. Your green sheet, page 4–8, shows these increases. We will put that in the record.

(The page follows:)

*Positions by grade and average employment*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Permanent positions: | | | |
| GS–18 | 1 | 1 | 1 |
| GS–17 | 1 | 1 | 1 |
| GS–16 | 3 | 3 | 3 |
| GS–15 | 20 | 20 | 20 |
| GS–14 | 28 | 22 | 25 |
| GS–13 | 72 | 81 | 81 |
| GS–12 | 94 | 124 | 122 |
| GS–11 | 64 | 73 | 87 |
| GS–10 | 6 | 13 | 13 |
| GS–9 | 74 | 96 | 101 |
| GS–8 | 6 | 15 | 15 |
| GS–7 | 90 | 118 | 134 |
| GS–6 | 27 | 47 | 49 |
| GS–5 | 118 | 150 | 164 |
| GS–4 | 124 | 331 | 380 |
| GS–3 | 174 | 270 | 276 |
| GS–2 | 22 | 12 | 13 |
| GS–1 | 1 | 1 | 1 |
| WA | 2 | 2 | 2 |
| Total permanent positions [1] | 927 | 1,380 | 1,488 |
| Average employment permanent positions [2] | 886 | 1,352 | 1,459 |

[1] Represents positions filled or expected to be filled during year.
[2] Represents full-time equivalent total of permanent, part-time and temporary employees.

Mr. EVINS. Your research work consists of designing and installing new ADP systems. It looks like the people you buy from would do that for you. You pay them plenty for their equipment.

Mr. BUDD. No, sir, they do not have the capability.

Mr. EVINS. Then you maintain that another one of your functions is liaison with the equipment manufacturers.

Mr. BUDD. That is right, sir.

Mr. EVINS. It looks to me like they would maintain liaison with you.

Mr. BUDD. It is a mutual thing; We have to stay abreast of the latest developments so we will get the most modern equipment for our operation.

Mr. THOMAS. Let me interrupt you for just a minute.

Mr. EVINS. Go right ahead.

DATA PROCESSING CENTERS

Mr. THOMAS. I think the committee, as a unit or individually, ought to take a trip out to Hines and go in and look at the operation and go into detail on the operation. They bring tape in there from all over the country and right there is where the work is done. It is a great operation. We are not trying to be rough on you, we are just trying to clarify it.

You come up with a reduction of 38 people this year. Certainly, you can improve on it as time goes on. So more horsepower to you. But the committee ought to go out and take a look at this operation.

Mr. EVINS. You have five centers. You have one at Philadelphia; Hines, Ill.; St. Paul, Minn.; Los Angeles, and Washington. What does Los Angeles do that Hines does not do?

Mr. BUDD. Los Angeles services several VA hospitals and the regional office in the Los Angeles area. They will be absorbing more of the work that is on the punchcard equipment in that area. They also service the Wilmington Supply Depot.

Mr. THOMAS. But your big unit is at Hines. That is where you formulate most of your programs.

Mr. BUDD. And the big insurance operation, sir, is in Philadelphia.

Mr. EVINS. Thirty-seven of these branches under the jurisdiction of the Department of Veterans Benefits and 66 under the jurisdiction of the Department of Medicine and Surgery have all been transferred to Data Management.

Mr. BUDD. Thirty-seven from the Department of Veterans Benefits have, about seven from the Department of Medicine and Surgery have; during fiscal year 1966 the balance will be. That is on page 4–11.

Mr. EVINS. You are asking for $16 million for Data Management and $12,200,000 for Operations, which is $28 million for Data Management and Operations.

Mr. MONK. The $12,200,000 is included in the $16 million.

Mr. EVINS. That is the total?

Mr. BUDD. Yes, sir.

OPERATIONS-DATA MANAGEMENT

Mr. EVINS. We will place in the record pages 4–11 and 4–12, the table on pages 4–13, and pages 4–14, 4–15 which is an explanation of changes in personnel.

(The pages follow:)

OPERATIONS

INTRODUCTION

The operations function encompasses centralized direction at the department level and work performed at the data processing centers and data processing branches.

The data processing centers are located at Philadelphia, Pa., Hines, Ill., St. Paul, Minn., Los Angeles, Calif., and Washington, D.C. They are under the direction of managers and carry out assigned automatic data processing applications for the VA.

The Philadelphia and Hines centers are each equipped with one large and two medium scale computer systems. The St. Paul center has two medium scale systems and the Los Angeles and Washington centers have one medium scale system each. All of these systems are VA owned.

The data processing branches provide tabulating machine service for the Veterans' Administration. They are located in VA regional offices, hospitals, and centers. Prior to July 1, 1964, 37 of the branches were under the jurisdiction of the Department of Veterans Benefits and 66 were under the jurisdiction of the Department of Medicine and Surgery. The jurisdiction of the data processing branches is being transferred to the Department of Data Management. Subsequent to these transfers, a reduction in the number of branches by consolidation will result in savings through improved utilization of equipment and manpower. It is planned that by the close of fiscal year 1966, the data processing branches will have been consolidated into 17.

Estimated volumes of significant workload to be accomplished in fiscal year 1966 at the data processing centers and branches are:

| | |
|---|---|
| 1. Insurance policies maintained | 6,235,000 |
| Total annual transactions | 56,000,000 |
| 2. Compensation and pension accounts maintained | 4,400,000 |
| Payments authorized | 54,441,939 |
| 3. Loan guarantee accounts maintained | 258,000 |
| Transactions proceed | 5,000,000 |
| 4. Personnel records maintained | 177,000 |
| Payroll payments authorized | 4,500,000 |
| 5. Supply inventory accounts maintained | 2,210,000 |
| 6. Insurance awards maintained | 527,000 |
| Payments authorized | 6,324,000 |
| 7. Patient data discharge file | 600,000 |
| 8. Outpatient treatment record | 6,000,000 |
| 9. Management reporting for all VA hospitals, regional offices, and centers. (Monthly, quarterly, semiannual, and annual reports prepared) | 1,500 |

The estimated fiscal year 1966 fund requirement is $12,284,400 for the Operations function. This represents the cost of furnishing automatic data processing service to the departments within the Veterans Administration. This cost by department is estimated as follows:

| | |
|---|---|
| Department of Veterans Benefits | $8,355,400 |
| Department of Medicine and Surgery | 3,929,000 |

*Summary of requirements*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 719 | 1,139 | 1,227 | +88 |
| Costs: | | | | |
| Personal services | $5,145,288 | $8,301,000 | $8,980,000 | +$679,000 |
| Other costs | 2,266,467 | 3,124,900 | 3,304,400 | +179,500 |
| Total costs | 7,411,755 | 11,425,900 | 12,284,400 | +858,500 |

*Personal services*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Central office | 116 | 136 | 134 | −2 |
| Data processing centers | 603 | 633 | 646 | +13 |
| Data processing branches | | 370 | 447 | +77 |
| Total, average employment | 719 | 1,139 | 1,227 | +88 |
| Costs: | | | | |
| Personnel compensation | $4,792,028 | $7,730,000 | $8,366 000 | +$636,000 |
| Personnel benefits | 353,260 | 571,000 | 614,000 | +43,000 |
| Total | 5,145,288 | 8,301,000 | 8,980,000 | +679,000 |

EXPLANATION OF CHANGES IN PERSONNEL REQUIREMENTS

FISCAL YEAR 1965

The increase of 420 average man-years in the operations function for fiscal year 1965 is the net result of the following:

Department of Data Management being assigned the functions of 37 data processing branches from Department of Veterans Benefits effective July 1, 1964 ..... +381

Department of Data Management being assigned the functions of 27 tabulating machine sections from D. M. & S., scheduled for mergers with the above data processing branches at staggered dates throughout the fiscal year ..... +24

Additional average man-years required in the data processing centers to perform the increased workload due to new automatic data processing applications namely personnel and accounting integrated data pay system (PAID), property and loan accounting, control and evaluation system (PLACE), automated management information system (AMIS) and new legislation ..... +31

Additional average man-years required in central office operations necessary to perform the increased workload in the Department due to new legislation, and new automatic data processing studies. The increases reflected are partially distorted since average man-year employment shown in fiscal year 1964 represents employment accumulated from early in the fiscal year when Department of Data Management staffing was incomplete. The Department had been in existence only 5 months prior to the start of fiscal year 1964 ..... +20

A reduction in average man-year requirements resulting from the consolidation of data processing branches and reduced manpower requirements in Department of Data Management field stations due to the installation of PAID and improved efficiency ..... −36

Total increase ..... +420

FISCAL YEAR 1966

In fiscal year 1966 an increase of 88 average man-years is the net result of the following:

Department of Data Management being assigned the balance of the tabulating machine sections from D. M. & S. (39) for scheduled mergers with other data processing branches throughout the fiscal year. Including the 27 tabulating machine section branches projected to be acquired at various dates in the fiscal year 1965, this now completes the schedule for assuming jurisdiction of 66 D. M. & S. tabulating machine sections ... +145

EXPLANATION OF CHANGES IN PERSONNEL REQUIREMENTS—Continued

FISCAL YEAR 1966

| | |
|---|---|
| Requirements in data processing centers for new legislation (Public Law 88-664) | +13 |
| Transfer of fiscal audit function to the VA Controller's Office | −2 |
| A reduction in full-time-equivalent requirements resulting from a continuation of the planned consolidation of data processing branches and reduced manpower requirements in Department of Data Management field stations due to improved efficiency | −68 |
| Total increase | +88 |

*Other costs*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Total, other costs | $2,266,467 | $3,124,900 | $3,304,400 | +$179,500 |

*Employee travel*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employee travel | $53,898 | $117,000 | $114,000 | −$3,000 |

Employee travel in fiscal year 1965 reflects an increase of $63,102 over fiscal year 1964, and total requirements of $117,000 in the operations function. This provides for travel in connection with training, travel by the DDM management staff evaluation team, travel in conjunction with branch consolidation studies and other miscellaneous purpose travel to the data processing centers (DPC's) and data processing branches (DPB's). Requirements of $114,000 in fiscal year 1966 reflects a decrease of $3,000 due to a reduction in travel requirements in connection with branch consolidations.

DATA PROCESSING EQUIPMENT

Mr. EVINS. Besides your buying all the computers, your computer rentals are up. How many major large computers do you have, six?

Mr. BUDD. Actually, sir, 13. The equipment rentals are down for the Veterans Administration. That, again, is a transfer of costs that were in the other departments. We actually have reduced our equipment rentals for 1966.

Mr. EVINS. How much?

Mr. BUDD. I will have the figure in a minute here. We really reduced our EAM equipment, punchcard equipment, by 416 pieces over the last 2 years, or 26 percent. Our equipment rentals, if you will look back over the 2-year period, drop from $2.5 to $1.6 million, a little over $900,000 drop in rental we are paying on our punchcard equipment.

Mr. EVINS. You have five centers, and how many big computers do you have in the total system?

Mr. BUDD. We have a total, sir, of 13 computers.

Mr. EVINS. These are large and small?

Mr. BUDD. What we call the 7080 is large, the 1401 is medium scale, and we have three scientific-type 1620 computers in hospitals.

Mr. EVINS. A total of 13?

Mr. BUDD. Yes, sir.

Mr. EVINS. That are owned by the VA?

Mr. BUDD. Yes, sir.

Mr. EVINS. In addition to the ones you own, how much rental do you pay to computer manufacturers?

Mr. BUDD. No rental, sir. There is a nominal maintenance charge, but once you buy them there is no rental whatsoever.

Mr. EVINS. You say here "Computer equipment rentals, $300,000."

Mr. BUDD. That is for the logistics computer we are planning to install this year.

Mr. EVINS. How many new ones are you planning to install this year?

Mr. BUDD. In 1966, just two, sir.

Mr. EVINS. That will make 15?

Mr. BUDD. Yes, sir.

Mr. EVINS. And the 13 are paid for?

Mr. BUDD. Yes, sir.

Mr. EVINS. How much is the other one going to cost?

Mr. BUDD. We plan to rent it, sir. It will go into the new Washington hospital for our hospital information system. It is an experimental operation, and we do not think it would be wise to buy it initially until we find out whether we can develop the system we envisage.

OTHER OBJECTS—OPERATIONS

Mr. EVINS. Going on through the operations budget, you have $49,000 increase for printing and reproduction.

Mr. BUDD. Yes, sir; these are costs necessary to develop new punchcard forms and procedures and instructions for the new systems we are automating.

Mr. EVINS. You are calculating all of these in your reduction?

Mr. BUDD. Yes, sir; we make a very detailed cost study on every operation.

Mr. EVINS. On "Other services," I think you have a decrease.

Mr. MONK. $10,000.

Mr. EVINS. $16,000 of this item is for purchase of new ADP equipment. What is this?

Mr. MONK. That is an increase in maintenance costs on new equipment that we purchased.

Mr. EVINS. On page 4–19 you show two more IBM model computers you are proposing to purchase. $44,000 is projected for the purchase of two IBM model 1903's.

Mr. BUDD. Those are not computers, those are converters. They convert paper tape to magnetic tape. When we receive paper tape off the teletype we must convert it to magnetic tape.

Mr. EVINS. Cannot your computers do the job? You have got to get tape readers, too?

Mr. BUDD. We need the magnetic tape to use the computer. The computer uses magnetic tape.

Mr. EVINS. The computer does not do the whole job, then?

Mr. BUDD. No, sir.

Mr. MONK. There are auxiliary machines with these computers to help the computer do the job and to put information in and take information out of the computer after the computer makes the calculations.

TELECOMMUNICATIONS

Mr. EVINS. On telecommunications, you want a one-job increase. Three of these systems—telephone, teletype, and data transmission—are rental systems. The nine other communications systems are owned and maintained by the Veterans Administration. So you have a lot of rental equipment in this field. Your total cost jumps up $13,000.

We will place in the record, page 4–20.

(The page follows:)

TELECOMMUNICATIONS

INTRODUCTION

The telecommunications function is performed by a DDM central office staff element. This staff provides the VA with an engineering consultant and advisory service for 12 different types of telecommunication systems. Three of these systems—telephone, teletype, and data transmission—are rental systems with the VA responsible for partial maintenance. The other 9—hospital communication systems—are owned and maintained by the VA. In addition, the staff conducts research and experimentation in advanced communication systems equipment and techniques. Liaison and coordination is maintained with other Government agencies, and industry concerned with electronics communications.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 13 | 14 | 15 | +1 |
| Costs: | | | | |
| Personal services | $137,111 | $160,000 | $173,000 | +$13,000 |
| Other costs | 835,788 | 827,200 | 827,200 | |
| Total costs | 972,899 | 987,200 | 1,000,200 | +13,000 |

RESEARCH AND DEVELOPMENT

Mr. EVINS. Research and development. The research function identifies areas susceptible to automation that will yield monetary savings. That is a pretty good page. We will put in page 4–23 which asks for an increase of $410,00 in research and development.

(The page follows:)

RESEARCH AND DEVELOPMENT

INTRODUCTION

The research and development function consists of—

Identifying areas susceptible to automation that will yield monetary savings, improved manpower utilization, or improved service to VA beneficiaries.

Designing and developing the most effective methods and techniques of ADP systems.

Installing new or revised ADP systems.

A major portion of the research and development has been conducted by the central office staff. In fiscal year 1966, the research effort on the automated hospital information system (AHIS), that has been located at the VA Hospital, Los Angeles, will be relocated at the new VA Hospital, Washington, D.C. This will allow closer supervision of the research and development effort, and facilitate greater participation by key professional personnel in central office.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 154 | 199 | 217 | +18 |
| Costs: | | | | |
| Personal services | $1,626,631 | $2,279,000 | $2,492,000 | +$213,000 |
| Other costs | 664,229 | 333,900 | 531,400 | +197,500 |
| Total costs | 2,290,860 | 2,612,900 | 3,023,400 | +410,500 |

Mr. Evins. Page 4–24 says about the same thing they have been talking about. For 1966, 217 employees are projected for this function. Are these employees transferred, too?

Mr. Budd. Yes, sir; they are.

RESEARCH DEVELOPMENT STUDIES

Mr. Evins. I made a note on 4–25 you want an increase in patient care manpower requirements, logistics, increased automated reference library, an increase in financial benefits, management information, personnel increase, and record locater increase. I made the comment there seems to be need for much consolidation in this area.

Mr. Budd. If I may explain, these are separate study groups, and when you start your study you start off with a smaller group, and when you get to programing you have to add programers to the study group to write the actual instructions for the computer. That is the estimated increases that are shown in these various subsystems.

Mr. Evins. You mean Professor Parkinson is working over there with you?

Mr. Budd. No, sir.

Mr. Evins. The logistics subsystem employment jumps up from 16 to 33. What are you doing in this area?

Mr. Budd. This is a study, sir, that we are just completing this fiscal year and will start programing in 1966, of our whole VA supply system, which touches 240 field stations.

Mr. Evins. And the automated refrence library subsystem goes from one to six. Every one of these studies shows increases in personnel.

The subanalyses gives a fine report of your overall work.

Mr. Thomas. Let me suggest, Mr. Evins, that we insert in the record these various ADP studies that are to be undertaken. The committee will watch the progress with interest. Put 4–25 through 4–38 in the record.

(The pages follow:)

*Manpower requirements by project*

| | 1965 | 1966 |
|---|---|---|
| Patient care | 36 | 40 |
| Manpower Administration | 20 | 5 |
| Loan guarantee | 19 | 17 |
| Logistics | 16 | 33 |
| Facility planning and construction | 7 | 8 |
| Automated Reference Library | 1 | 6 |
| Financial benefits | 8 | 25 |
| Management information | 13 | 20 |
| Plant and facility operation and maintenance | 0 | 2 |
| Beneficiary identification and record locator | 0 | 6 |
| Insurance subsystem | 13 | 1 |
| Advanced planning | 5 | 5 |
| Data sciences (mathematical modeling, simulation, etc.) | 10 | 10 |
| Miscellaneous (new legislation and special requests) | 23 | 10 |
| Supervision, project control, and clerical support | 28 | 29 |
| Total man-years | 199 | 217 |

PATIENT CARE SUBSYSTEM

*Average employment*

1965, 36; 1966, 40.

*Project scope*

A patient master file will be developed to serve the daily operational requirements of the patient care activities. This file will include all information concerning the individual patient during the current treatment episode, with cross-reference ability to other automated VA files and to non-VA automated medical files as required. There will also be a centralized patient treatment file containing summary data on each treatment episode for each patient. This centralized file will be automatically updated from the patient master file; provide records of prior treatment episodes upon request; provide summarized management data to the management information system and be available for medical research.

*Anticipated benefits*

1. Doctors, nurses, and other medical personnel will be relieved from the burden of paperwork now required, thus increasing time they can devote to medical care and attention.
2. Achieve uniformity, integration, and correlation of data not now possible.
3. Provide a total system capable of efficient linkage with the other related information and communication systems.

*Estimated dollar savings*

Estimates will not be available until after fiscal year 1966. Feasibility studies are still in progress.

MANPOWER ADMINISTRATION SUBSYSTEM

*Average employment*

1965, 20; 1966, 5.

*Project scope*

To provide a centralized, integrated data-processing system for VA payroll, related fiscal personnel operations and personnel statistics. It will be expanded to incorporate data on employee education and training, skills, inventory, and management personnel inventory.

*Anticipated benefits*

1. One-time capture of data for all purposes.
2. Maximum simplification of field station data processing.
3. Provision of data to other subsystems and the management information system.
4. Vastly improved service in fiscal and personnel operations and planning.

*Estimated dollar savings*

The VA budget request reflects a reduction of $550,000 in fiscal year 1966 attributable to this system. It is anticipated that savings of approximately $1,770,000 annually will eventually be realized.

LOAN GUARANTY SUBSYSTEM (ADP)

*Average employment*

1965, 19; 1966, 17.

*Project scope*

This subsystem will encompass the following functional areas: (*a*) Portfolio loan processing; (*b*) property management accounting; (*c*) guaranteed and insured loan processing servicing as well as related statistical and operating data handling.

*Anticipated benefits*

1. Reduce the clerical and accounting personal service costs at field stations by centralizing and automating the accounting system.
2. Enhance communications with borrowers on financial matters by centralizing the funding of loan guarantee appropriations.
3. Enable field stations to render better service by providing more timely, accurate, and meaningful information. This will allow more effective servicing of delinquent loans which should reduce both the incidence and length of defaults.

*Estimated dollar savings*

Implementation of this system is scheduled for late in 1966. No significant savings are anticipated in this fiscal year; however, a budgetary reduction of about $455,000 is planned for fiscal year 1967. The annual savings from this system should ultimately be approximately $1,300,000.

LOGISTICS SUBSYSTEM

*Average employment*

1965, 16; 1966, 33.

*Project scope*

The supply program has operated for over 10 years within inventory ceilings and funds made available when the supply fund was originally created. This has been done despite increasing supply usage and dollar inflation. Unusual efforts have been necessary to avoid requesting increased capital and to permit raising inventory ceilings. By providing optimum use of inventory data, a modern data processing system can minimize or reduce amount of future requests for increased capital. The proposed integrated supply fiscal accounting system will meet requirements for both operations and management in the areas of: (1) Procurement, storage, and distribution, (2) equipment inventory; (3) canteen supply system; and (4) forms supply.

*Anticipated benefits*

1. Derive economic benefits and obtain accurate supply accountability through integration of supply and its related fiscal activities.
2. "Optimize" inventory dollar investment in warehouses (depots and stations) and make possible the delivery of supplies to the users through the use of a rapid supply information system.
3. Obtain better utilization of accountable property through rapid retrieval of centralized information, i.e., matching requisitions for supplies and equipment with reports of surpluses; and providing accurate and timely data for improving the equipment maintenance, repair, and replacement programs.

*Estimated dollar savings*

The feasibility study will not be completed until later in fiscal year 1965. The preliminary estimate of savings that may be eventually realized is about $1,600,000 annually.

FACILITY PLANNING AND CONSTRUCTION SUBSYSTEM

*Average employment*

1965, 7; 1966, 8.

*Project scope*

This system will provide design criteria and cost details for use in facility planning and construction. It will delineate the present and future requirements for facilities through the use of a statistical approach and a population model. Activities which precede and take place during new facility and major renovation construction will be scheduled by the system.

*Anticipitated benefits*

1. Shorten the time lag between the recognition of need and provision of facilities. This will result in savings by reducing the effect of spiraling costs for material, equipment, and personnel.
2. Provide a greater selection of alternative methods for improving facilities.
3. Increase the quality of information which will provide an improved base for management decisions regarding construction policies.
4. Improve facility requirement estimating.

*Estimated dollar savings*

The complete feasibility studies will not be accomplished until fiscal year 1967, therefore, estimates of savings are not available.

AUTOMATED REFERENCE LIBRARY SUBSYSTEM

*Average employment*

1965, 1; 1966, 6.

*Project scope*

This system will produce an automated reference library which will contain material of specific interest to VA as well as of general interest to others. The system will exploit to the limit the sources currently available on subjects common to VA, other governmental, and nongovernmental bodies (medical information, basic legal knowledge, computer hardware and data processing). Research and development personnel will participate actively with other Government agencies in the development of reference libraries for joint use.

*Anticipated benefits*

1. Effect savings of manpower by simplifying the search for available information.
2. Effect a better use of manpower by making available complete results of actions already taken and recorded (for example, research) thus eliminating duplication of effort.
3. Provide better service through local use of more complete history of treatment and list of pharmaceuticals available.
4. Effect a saving in administrative manpower by identifying those information storage and retrieval techniques already tested and adopted.

*Estimated dollar savings*

Savings will not occur until after fiscal year 1966. Feasibility study is still in progress.

FINANCIAL BENEFITS SUBSYSTEM

*Average employment*

1965, 8; 1966, 25.

*Project scope*

Through redesign, the present automated compensation and pension subsystem will be refined and expanded to include major systems improvements. The redesign will provide a capability for cycling of payments, implement improvements in the handling of annual income questionnaires and incorporate award writing where possible.

*Anticipated benefits*

1. Relieve professional adjudicators from handling large volume stereotyped awards and to make available more time to process the more involved and complicated cases.
2. Reduce clerical costs.
3. Increase uniformity of adjudicative actions.

*Estimated dollar savings*

Estimated savings will not be available until after feasibility study is completed.

AUTOMATED MANAGEMENT INFORMATION SUBSYSTEM

*Average employment*

1965, 13; 1966, 20.

*Project scope*

This system will improve the management information system by expanding the use of automatic data processing equipment for the rapid collection, manipulation, and tabulation of data. Planning and policy determination will be assisted by the appropriate use of the various management sciences such as mathematical models, computer simulation and linear programing to determine optimal combinations and sequences in the use of resources.

*Anticipated benefits*

1. Lower cost and improve service by: (*a*) reducing the data processing burden placed upon management, professional, technical, and clerical employees; (*b*) creating byproduct reports and records; (*c*) providing the most automated means for screening and selecting information; (*d*) communicating this information rapidly and in the desired format.
2. Provide management with a capability to interrogate stored data and receive immediate response.
3. Relegate to machines all routine decision making and leave for consideration only those things requiring greater mental skill such as idea association, imagination, and judgment.

*Estimated dollar savings*

The feasibility study will not be completed until after fiscal year 1966. The preliminary estimate indicates that an annual savings of over $1 million will be realized.

PLANT AND FACILITY OPERATION AND MAINTENANCE SUBSYSTEM

*Average employment*

1965, 0; 1966, 2.

*Project scope*

This system provides improved methods for operation, maintenance, and repair of the physical facilities of the VA through the use of advanced data-processing techniques. A detailed master file will be maintained on buildings and building service equipment of VA hospitals.

*Anticipated benefits*

1. Reduce the cost of major operations and repair projects through better preventive maintenance scheduling and the use of standards developed from comparative data on all VA installations.
2. Provide justification for maintenance funds and permit more equitable distribution of such funds through the use of automated analysis.

*Estimated dollar savings*

Feasibility studies will not begin until fiscal year 1966, therefore estimates of savings are not available.

BENEFICIARY IDENTIFICATION AND RECORD LOCATOR SUBSYSTEM

*Average employment*

1965, 0; 1966, 6.

*Project scope*

This subsystem related to the identification of veterans will provide information on location of records. One centralized master index and locator file will be established. A communication network will be utilized to transmit updating, information requests, replies, and other transactions.

*Anticipated benefits*

Reduce costs and improve service by providing rapid access to data.

*Estimated dollar savings*

Feasibility studies will not begin until fiscal year 1966, therefore estimates of savings are not available.

INSURANCE SUBSYSTEM

*Average employment*

1965, 13; 1966, 1.

*Project scope*

This project will:

1. Integrate the monthly payment of about 527,000 insurance, death, or disability awards into the existing automated insurance system.
2. Develop and install an automated insurance fund and appropriation accounting system.
3. Study, develop, and install a system for the processing of additional underwriting and disability insurance claims transactions.

*Anticipated benefits*

1. Reduce costs and improve service by providing computer processing.
2. Consolidate processing of all insurance accounts and payments into one uniform system.
3. Capture data for the management information system.

*Estimated dollar savings*

In fiscal year 1966, savings of an estimated $110,000 will be realized through the computer processing of insurance death or disability awards. After the entire project is completed in fiscal year 1967, total annual savings of approximately $215,000 will be realized.

ADVANCED SYSTEMS PLANNING (ADP)

*Average employment*

1965, 5; 1966, 5.

*Project scope*

Our advanced planning effort is a continuing review to refine the VA-integrated information system plan. Requirements are identified and evaluated. Problem areas are identified and solutions sought. Rapid developments in the technical aspects of ADP require close attention to assure that our plans reflect the most advanced concepts and techniques.

*Anticipated benefits*

Provide management the information necessary regarding the data-processing objectives the VA should seek during the next decade.

*Estimated savings*

Benefits from this effort will also be reflected in other projects developed and installed in the implementation of the VA long-range plan for ADP.

DATA SCIENCES

*Average employment*

1965, 10; 1966, 10.

The Data Science Division—

Conducts basic and applied research and development in advanced data-management sciences and technology.

Develops models of VA programs and operations to provide management the capability of simulating the effect of proposed courses of administrative action and to determine quickly and accurately the effect of proposed legislation on veterans and their beneficiaries.

Provides technical support, guidance, and training in the use of mathematical, statistical, and data-transmission techniques in the field of data management.

Maintains liaison with agencies and activities in the professional, scientific, and technical fields related to data-management research.

ADP MERGER SAVINGS

Mr. THOMAS. Page 4–45 should also be in the record. The committee may want to refer to this later.

(The page follows:)

*Part 4. Department of Data Management/Data Processing Branch merger savings*

| | Personnel | Amount |
|---|---|---|
| Fiscal year 1965: | | |
| Transfer from Department of Veterans Benefits | 381 | $3,161,000 |
| Transfer from Department of Medicine and Surgery | 24 | 228,000 |
| Total transfers to Department of Data Management | 405 | 3,389,000 |
| Data Processing Branch requirements after mergers | 370 | 3,088,000 |
| Savings from fiscal year 1965 mergers | 35 | 301,000 |
| Fiscal year 1966: | | |
| DPB requirements at beginning of fiscal year 1966 | 370 | 3,088,000 |
| Transfer from Department of Medicine and Surgery | 145 | 1,397,000 |
| Total DPB resources | 515 | 4,485,000 |
| DPB requirements after mergers | 467 | 4,093,000 |
| Savings from fiscal year 1966 mergers | 48 | 392,000 |

The above chart summarizes the results of the Data Processing Branch transfers in fiscal years 1965 and 1966 to the Department of Data Management from the Department of Veterans Benefits and the Department of Medicine and Surgery. A total of 550 employees and 103 branches will be transferred. By the end of fiscal year 1966, it is planned to have consolidated 102 of these branches into 17 data processing branches and 5 data processing centers.

In fiscal year 1965, 405 employees will be transferred to Department of Data Management (381 from Department of Veterans Benefits and 24 from Department of Medicine and Surgery); $3,389,000 will also be transferred to Department of Data Management to cover the employment transfers and other related operating costs including $849,000 for EAM rentals. During fiscal year 1965, employment reductions of 35 average man-years will result from branch mergers. These mergers will provide savings of $301,000.

In fiscal year 1966, the final phase of branch transfers from Department of Medicine and Surgery will be accomplished. This transfer will consist of 145 employees and $1,397,000 from Department of Medicine and Surgery. Included will be annual rental costs of $462,000. During fiscal year 1966, an additional employment reduction of 48 average man-years will result from a continuation of branch mergers. These mergers will provide additional savings of $392,000.

The annual savings that will be realized in fiscal year 1966 are estimated to be 83 average man-years and $693,000. Beginning in fiscal year 1967, the annual savings will exceed $750,000.

DEPARTMENT OF VETERANS BENEFITS

Mr. EVINS. We will turn to volume II, Department of Veterans Benefits. This is one of your large departments. You have general operating expenses; compensation and pension; readjustment benefits. [Reading]:

Funds provide under this appropriation are used to pay for the vocational rehabilitation of seriously disabled veeterans and to otherwise assist in the education and training of veterans of wartime service as well as certain qualified children of these veterans. These funds are spent for tuition, necessary equipment and supplies authorized by law. Money from this appropriation is also used to provide specially equipped automobiles to the more seriously disabled veterans and specially adapted housing to certain paralyzed and other disabled veterans.

Grants to the Republic of the Philippines; veterans insurance and indemnities. And you have about four insurance programs, and the direct loan revolving fund.

We will place in the record the general statement on pages 1–2 through 1–6.

(The pages follow:)

GENERAL STATEMENT

The Department of Veterans Benefits is one of the three operating Departments of the VA—the others being the Department of Medicine and Surgery and the Department of Data Management.

The Department of Veterans Benefits is headed by a Chief Benefits Director, who is responsible to the Administrator, for providing all of the direct benefits (except medical), to eligible veterans, their widows and their beneficiaries.

As can be ascertained from the chart outlining the organizational structure on pages 1–8, the Department of Veterans Benefits is comprised of a headquarters office and field installations.

The central office is responsible for development of Department-wide policies and procedures, providing assistance and guidance to field stations, evaluation of station management operations, and the effective and economical operation of the departmental program of benefits and services.

The regional offices are the operating stations of the Department, and as such, are responsible for working with the veteran and his dependents and beneficiaries to carry out the program of benefits and service provided by regulation and law.

APPROPRIATION STRUCTURE

Departmental program requirements for fiscal year 1966 are set forth in this estimate under five appropriation accounts, seven revolving funds, and two trust funds.

A brief description covering each appropriation and fund follows:

APPROPRIATION ACCOUNTS

1. *General operating expenses.*—Funds under this appropriation provide for the administrative expenses of the Department, such as, salaries, supplies, services, and travel.

2. *Compensation and pension.*—Funds provided under this appropriation are used to pay compensation to veterans or their dependents for disabilities or deaths which are service connected. These funds are also used to pay pensions to veterans and their dependents for disabilities or deaths that are not of a service-connected origin whenever there is a demonstrated need within the criteria established by law. Amounts are also paid out of this appropriation for burial awards, burial flags, subsistence to seriously disabled veterans receiving vocational rehabilitation and other allowances, awards, and gratuities related to the veteran's service.

3. *Readjustment benefits.*—Funds provided under this appropriation are used to pay for the vocational rehabilitation of seriously disabled veterans and to otherwise assist in the education and training of veterans of wartime service as well as certain qualified children of these veterans. These funds are spent for tuition, necessary equipment, and supplies authorized by law. Money from this appropriation is also used to provide specially equipped automobiles to the more seriously disabled veterans and specially adapted housing to certain paralyzed and other disabled veterans. Whenever it becomes necessary to augment the funds available to the loan guarantee revolving fund for guarantee claims and other operating costs, such funds are obtained under this appropriation for transfer to that revolving fund, unless alternative sources, such as transfers of retained earnings and excess capital from the direct loan revolving fund, are authorized by the Congress.

4. *Grants to the Republic of the Philippines.*—Funds under this appropriation are used to pay the Republic of the Philippines for the medical care and treatment of veterans of the Philippine Commonwealth Army.

5. *Veterans insurance and indemnities.*—Funds under this appropriation are available for term and automatic military and naval insurance (war risk insurance) direct payments and for transfers to the U.S. Government life insurance fund; for direct payment of benefits under the national service life insurance appropriation and for transfer to the national service life insurance fund; for payment of indemnities on claims awarded under the Servicemen's Indemnity Act of 1951; and for transfers to the service-disabled veterans' insurance fund.

REVOLVING FUNDS

1. *Direct loan revolving fund.*—Funds under this account are used to make direct loans to qualified veterans in rural areas, small cities and towns designated as housing credit shortage areas. Funds for making these loans may be borrowed from the Treasury in amounts authorized by the Congress through June 3, 1966. However, such authorizations are reduced by amounts returned to the fund from the sale of loans to private investors.

*Loan guarantee revolving fund.*—Funds in this account are available solely in connection with the guaranteed or insured loan program. They are used to pay the guarantee or insurance claims of holders of defaulted GI loans. Funds in this account are also used to pay for the acquisition of properties which were the security for defaulted loans. Expenses incurred in the maintenance, management and selling of acquired properties are also paid from this fund, as are all other expenses (except administrative expenses) incidental to operations, such as payment of real estate taxes, repurchase of loans previously sold, etc.

Funds are made available to this account from the repayment of loans (mortgage loans), interest income on such loans, downpayments received on property sales, rental received on acquired properties, and sales of loans to private investors. In the event such sources generate insufficient funds, additional amounts necessary are obtained by transfer from the appropriation readjustment benefits, unless alternative sources such as transfers of retained earnings and excess capital from the direct loan revolving fund are authorized by the Congress.

3. *Veterans special term insurance fund.*—This fund receives premium and other collections and makes payments on nonparticipating insurance policies issued before January 1, 1957, to veterans who served in the Armed Forces subsequent to April 1951.

4. *Service-disabled veterans' insurance fund.*—This fund receives premiums and other collections and makes payments on nonparticipating insurance policies issued to veterans who were found to be suffering from a disability or disabilities for which compensation would be payable if 10 percent or more in degree and except for which such veteran would be insurable according to standards established for qualifying, under good health provisions of the National Service Life Insurance Act of 1940, as amended.

5. *Vocational rehabilitation revolving fund.*—These funds are used for making advances, not in excess of $100 in any case, to veterans commencing or pursuing courses of vocational rehabilitation. Repayments are made by deduction from future benefit payments to the veteran.

6. *Soldiers and sailors' civil relief fund.*—This fund finances claims arising from the guarantee of premiums due on commercial life insurance policies held by servicemen while they are in service and for 2 years after discharge.

7. *Veterans' reopened insurance fund.*—This fund finances payment of claims and administrative cost on nonparticipating insurance policies issued after April 30, 1965 and prior to May 4, 1966, under three insurance programs (*a*) veterans service-disabled standard insurance, (*b*) veterans service-disabled rated insurance, and (*c*) nonservice disabled insurance.

TRUST FUNDS

1. *National service life insurance fund.*—Amounts due under the provisions of national service life insurance policy contracts issued to World War II veterans are payable from this fund.

2. *U.S. Government life insurance fund.*—Amounts due under the provisions of U.S. Government life insurance contracts issued to World War I veterans are payable from this fund.

SUMMARY OF BUDGET ESTIMATES

Department of Veterans Benefits appropriation requirements total $4,320.3 million in fiscal year 1966. The table appearing below summarizes in millions of dollars the actual costs for fiscal year 1964 and the requirements for 1965 and 1966.

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| General operating expenses | $136.4 | [1] $135.6 | $131.5 | −$4.1 |
| Compensation and pensions | 3,958.0 | [2] 4,071.0 | 4,142.0 | +71.0 |
| Readjustment benefits | 69.0 | [3] 45.9 | 36.5 | −9.4 |
| Grants to the Republic of the Philippines | .3 | [4] .4 | .4 | |
| Veterans' insurance and indemnities | 28.7 | 13.7 | 9.9 | −3.8 |
| Total appropriation estimates | 4,192.4 | 4,266.6 | 4,320.3 | +53.7 |

[1] Includes $2,700,000 proposed supplemental.
[2] Includes $108,000,000 proposed supplemental.
[3] Includes $8,800,000 proposed supplemental.
[4] Includes $100,000 proposed supplemental.

Estimates for each of the above appropriations are explained and justified in succeeding sections.

## General Operating Expenses—Veterans Benefits

Mr. Evins. Let us take up the general operating expenses on page 2–4 that relate to the Department of Veterans Benefits.

I know you would like to talk about that. This shows decreases all along. We will put pages 2–1 through 2–7 in the record.

(The pages follow:)

INTRODUCTION

The VA general operating expenses appropriation, funds all salaries and administrative expenses of the Department of Veterans Benefits, including central office and field installation staffing.

The Department of Veterans Benefits, general operating expenses appropriation request for fiscal year 1966 is $131.5 million. This is $4.2 million less than the current year estimate and is due principally to the reorganization and consolidation of regional office activities.

Public Law 88–664, approved October 13, 1964, provides for (1) a revision in the pension program for veterans; (2) an optional modified life insurance plan to present holders of NSLI; and (3) a limited period during which certain disabled veterans may acquire or increase insurance. The administrative costs to implement the revision in the pension program and to process the changes to the modified life plan are included in the budget year estimate.

The law provides that the administrative costs incident to insurance acquired during the reopening phase shall be borne by the veteran. These administrative expenses are therefore reflected as costs to the Department, but not as appropriation requirements.

ECONOMY HIGHLIGHTS

During the past fiscal year, major steps were taken to improve operations and reduce costs in the Department. Typical of such actions are the following:

Further utilization of electronic data processing equipment, specifically:

*Personnel and accounting integrated data.*—This project will place all payroll operations on the computers; payroll checks will be issued centrally and personnel and cost data will be accumulated and reported from this central point. It is planned to be completed during the budget year.

*Payment of insurance awards by ADP.*—This project completed during 1965 will integrate the payment of about 527,500 insurance death awards a month into the insurance ADP system.

*Conversion of USGLI accounts to ADP.*—This project, to be completed in 1965, will convert insurance actuarial operations from a punched card system to computer maintenance and integrate them with the insurance ADP system.

Combined V.R. & E. activities with those of compensation and pension—the number of veterans in training is steadily decreasing, thereby reducing the number of trained personnel available to supervise these veterans. This combination of functions insures the availability of trained personnel to supervise veterans who are still in training.

Developed more accurate work rate standards to determine manpower requirements. Updated standards have ben developed in the finance and C. & P. programs with the standards for remaining programs currently being validated.

Replaced obsolete and inefficient equipment which housed regional office index records with electric elevator-type equipment in 48 offices. This will result in savings in space and man-years in addition to improved service and efficiency.

Reduced regularly scheduled itinerant contact services. As of Janaury 1, 1962, we were regularly providing itinerant service to 339 locations in 40 States, whereas on March 1, 1964, we were providing this service to only 27 locations in 10 States.

V.R. & E. activities at Roanoke and Veterans Benefits Office, Washington, were consolidated.

Regional office at Dallas, Tex., was merged with office at Waco. The Dallas teletype net control station was consolidated with the net control station at Chicago.

Approved program changes and initiated functional realinements in the guardianship program to materially reduce costs without a deterioration of service.

All tabulating machine activities were transferred from DVB to DDM, effective July 1, 1964. This includes all personnel costs, machine rental, and cost of tab cards and continuous paper. This transfer will centralize control of all machine activities of DVB and DDM in one department and will provide for more effective manpower utilization.

Efforts to further improve operations and reduce costs will continue. In this connection, it is planned to—

Reorganize and consolidate the activities of some of the regional offices.

Continue to work with the Department of Data Management to further utilize computer equipment. Current plans contemplate the following:

*Property loan accounting control evaluation.*—This project will put the loan and property accounting on the computer.

*Develop procedures.*—To have the computer generate letter to the proper person containing information as to right to continuation of service-connected benefits after age 18 if attending school.

*Reporting.*—Develop procedures to put recurring reports on computer to facilitate preparation and consolidation.

Continue systematical evaluation of workload consolidations and organization realinements to uncover better ways to accomplish and control our objectives in keeping with current and changing requirements.

Manpower utilization controls and improvement techniques will continue to be given close attention. Improved productivity and better management methods will be our goal.

Current work measurement standards will become available for all programs and activities.

SUMMARY OF REQUIREMENTS

Fiscal years 1964 to 1966 general operating expenses cost requirements of the Department of Veterans Benefits are shown in the following table:

*Summary of costs, by major object*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Personnel compensation | $115,211,315 | $118,693,000 | $117,591,000 | −$1,102,000 |
| Personnel benefits | 8,753,764 | 9,034,000 | 9,027,000 | −7,000 |
| Personnel compensation and benefits | 123,965,079 | 127,727,000 | 126,618,000 | −1,109,000 |
| Travel and transportation of persons | 2,620,035 | 2,667,000 | 2,549,000 | −118,000 |
| Transportation of things | 279,915 | 598,000 | 298,000 | −300,000 |
| Rents, communications, and utilities | 4,067,755 | 3,841,000 | 3,769,000 | −72,000 |
| Printing and reproduction | 1,012,788 | 1,159,000 | 1,134,000 | −25,000 |
| Other services | 3,241,613 | 2,985,000 | 2,928,000 | −57,000 |
| Supplies | 1,760,754 | 1,020,000 | 989,000 | −31,000 |
| Equipment | 2,575,297 | 625,000 | 200,000 | −425,000 |
| Grants to States | 727,034 | 575,000 | 190,000 | −385,000 |
| Total cost | 140,250,270 | 141,197,000 | 138,675,000 | −2,522,000 |
| Common service adjusted [1] | 3,867,460 | 3,534,000 | 3,376,000 | −158,000 |
| Net costs | 136,382,810 | 137,663,000 | 135,299,000 | −2,364,000 |
| Change in selected resources | 1,457,000 | 425,000 | | −425,000 |
| Obligations | 134,925,810 | 137,238,000 | 135,299,000 | −1,939,000 |
| Reimbursements | 343,420 | 1,598,000 | 3,830,000 | +2,232,000 |
| Appropriation estimate | 134,582,390 | 135,640,000 | 131,469,000 | −4,171,000 |

[1] Department of Veterans Benefits provides finance, personnel, and administrative services to other VA departments—amounts shown as common services reflect reimbursements received from these services

This estimate reflects an appropriation decrease of $4.2 million for fiscal year 1966 over fiscal year 1965 after considering fiscal year 1965 supplemental appropriation requirements of $2.7 million of which $1.2 million is for Public Law 88–361 (extension of educational benefits to sons and daughters of 100 percent service-connected disabled veterans); Public Law 88–364 (Extension of disability waiver to age 65) and Public Law 88–355 (total disability income provision at age 65); and $1.5 million for Public Law 88–664 (revision in the pension program for veterans).

The following analysis depicts the major changes from the current-year requirements to the budget year:

| | |
|---|---|
| Fiscal year 1965 estimate | $135,640,000 |
| Less: | |
| Reduced employment | 1,900,000 |
| Excluding requirements of Public Law 88–664 and the reduction due to reorganization of field stations, our estimated annual employment is reduced due to increase productivity and improved management techniques. | |
| PAID | 43,000 |
| This is a code name for the Personnel and Accounting Integrated Data system which transfers the payment of all salaries and cost reporting to computer operations. | |
| Reduced educational objects | 1,021,000 |
| Represents a reduction of 8,500 in the number of cases to be counseled on a fee basis plus a reduction in requirements to be paid State approving agencies for services rendered to Veterans Administration. | |
| Reorganization of field stations | 3,000,000 |
| It is contemplated that a reorganization and consolidation of some regional office activities during 1965 will produce the above savings during the budget year. | |

| | |
|---|---|
| Fiscal year 1965 estimate—Continued | |
| Less—Continued | |
| Reduction in requirements for new legislation | 220,000 |
| It is contemplated that the initial impact of that portion of Public Law 88–664 which is not reimbursable will be greater in 1965 than in 1966. | |
| Total reduction | 6,184,000 |
| Plus: | |
| Validation of rating schedule | 500,000 |
| Represents costs to be incurred in the mailing and otherwise contacting a million veterans in an endeavor to determine the validity of the rating schedule. This is the first part of a 2-year study. | |
| Normal salary increases | 1,250,000 |
| This amount will provide a 1-percent increase for the requested 1966 average employment. | |
| Cost for 3 additional days of pay raise | 62,000 |
| Public Law 88–426 was effective July 5, 1964, or 258 days in 1965. The above amount represents the additional cost for a full year or 261 days in 1966 for the estimated employment at approximately $1.33 per day. | |
| Other net miscellaneous items | 201,000 |
| Total increase | 2,013,000 |
| Net decrease | 4,171,000 |
| Fiscal 1966 estimate | 131,469,000 |

*Summary of costs, by activity*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Executive direction | $4,648,129 | $5,090,000 | $4,524,000 | −$566,000 |
| Guardianship and chief attorneys | 12,930,114 | 13,285,000 | 12,844,000 | −441,000 |
| Contact | 7,467,579 | 7,512,000 | 7,052,000 | −460,000 |
| Compensation, pension, and education | 38,764,603 | 40,823,000 | 39,075,000 | −1,748,000 |
| Loan guaranty | 22,318,090 | 23,768,000 | 23,284,000 | −484,000 |
| Insurance | 9,836,054 | 9,303,000 | 11,462,000 | +2,159,000 |
| Office services | 44,285,701 | 41,416,000 | 40,434,000 | −982,000 |
| Total costs | 140,250,270 | 141,197,000 | 138,675,000 | −2,522,000 |
| Common service adjusted | 3,867,460 | 3,534,000 | 3,376,000 | +158,000 |
| Net costs | 136,382,810 | 137,663,000 | 135,299,000 | −2,364,000 |

*Summary of average employment, by activity*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Executive direction | 398 | 401 | 354 | −47 |
| Guardianship and chief attorneys | 1,452 | 1,368 | 1,312 | −56 |
| Contact | 926 | 861 | 794 | −67 |
| Compensation, pension, and education | 4,048 | 3,837 | 3,777 | −60 |
| Loan guaranty | 2,826 | 2,798 | 2,721 | −77 |
| Insurance | 1,503 | 1,328 | 1,671 | +343 |
| Office services | 5,509 | 5,068 | 4,910 | −158 |
| Total average employment | 16,662 | 15,661 | 15,539 | −122 |
| Common service adjusted | 548 | 461 | 433 | −28 |
| Net average employment | 16,114 | 15,200 | 15,106 | −94 |

## Executive Direction

Mr. Evins. Look at page 2–10, "Executive direction." You have a reduction of 37 jobs and 47 average employment. Insert page 2–40 and the table at the top of 2–12.

(The material follows:)

### Executive Direction

Executive direction provides the planning, direction, and supervision of the Department in an integrated program of veterans' benefits and is comprised of staffs assigned to the following major components:

Chief Benefits Director.
Field directors.
Managers.

The Chief Benefits Director is responsible to the Administrator for the operation of the Department and is responsible for expenditures involving approximately $5 billion annually, the operation of field offices, and staff elements in central office utilizing a total estimated employment of 15,539 in 1966.

Field directors are directly responsible for the operation of assigned stations. Each director has assigned responsibility for a geographic area comprising approximately one-fourth of the field stations under the jurisdiction of the Department of Veterans Benefits.

Managers provide direct overall management and administrative direction of the field office operations.

*Summary of requirements*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 398 | 401 | 354 | −47 |
| Costs: | | | | |
| Personnel compensation | $4,209,436 | $4,606,000 | $4,083,000 | −$523,000 |
| Personnel benefits | 299,398 | 354,000 | 313,000 | −41,000 |
| Total personal services and benefits | 4,508,834 | 4,960,000 | 4,396,000 | −564,000 |
| Travel and transportation of persons | 137,244 | 127,000 | 125,000 | −2,000 |
| Other services | 2,051 | 3,000 | 3,000 | |
| Total costs | 4,648,129 | 5,090,000 | 4,524,000 | −566,000 |
| Common service adjustment | 563,972 | 597,000 | 620,000 | −23,000 |
| Net costs | 4,084,157 | 4,493,000 | 3,904,000 | −589,000 |
| Average employment: | | | | |
| Departmental | 42 | 42 | 42 | |
| Field | 356 | 359 | 312 | −47 |
| Total | 398 | 401 | 354 | −47 |

Funds requested for personal services are required to support the above staffing.

## Guardianship and Chief Attorney

Mr. Evins. "Guardianship and chief attorney." You show a reduction of 55 jobs and 56 average employment. Insert 2–14, 2–15, 2–17, 2–18, and 2–19 in the record.

(The pages follow:)

### Guardianship and Chief Attorney

The guardianship program protects minors and mentally incompetent veterans who receive Veterans Administration benefits. This is accomplished by chief

attorneys in regional offices who select qualified fiduciaries and ascertain that the received funds are applied to satisfy the present needs of the beneficiaries or conserved for their future use.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Departmental | 23 | 23 | 23 | |
| Field | 1,429 | 1,345 | 1,289 | −56 |
| Total | 1,452 | 1,368 | 1,312 | −56 |
| Costs: | | | | |
| Personnel compensation | $11,506,787 | $11,816,000 | $11,410,000 | −$406,000 |
| Personnel benefits | 862,773 | 917,000 | 888,000 | −29,000 |
| Total personnel services and benefits | 12,369,560 | 12,733,000 | 12,298,000 | −435,000 |
| Travel and transportation of persons | 560,554 | 552,000 | 546,000 | −6,000 |
| Total costs | 12,930,114 | 13,285,000 | 12,844,000 | −441,000 |

Guardianship activities are executed by staffs in central office and the field. Distributed by function, the staffing requirements are:

| | 1964 | 1965 | 1966 |
|---|---|---|---|
| Departmental: | | | |
| Director, Guardianship Service | 5 | 5 | 5 |
| Policy and Planning Division | 5 | 5 | 5 |
| Legal Advisory Division | 4 | 4 | 4 |
| Field Standards and Evaluation | 9 | 9 | 9 |
| Subtotal | 23 | 23 | 23 |

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Field: | | | | |
| Supervisory and consultant | 193 | 190 | 185 | −5 |
| Field legal and investigative | 546 | 517 | 494 | −23 |
| Estate management | 248 | 240 | 235 | −5 |
| Stenographic and clerical | 442 | 398 | 375 | −23 |
| Subtotal | 1,429 | 1,345 | 1,289 | −56 |
| Grand total | 1,452 | 1,368 | 1,312 | −56 |

A brief description of the major duties and responsibilities of the departmental and field station staffs follows:

*Departmental*

In central office, the staff consists of a Director and three technical staff divisions. It formulates the policies, procedures and standards for the guardianship and field examination programs applied nationwide. It furnishes legal advice concerning these programs and researches legislation—both Federal and State—affecting guardianship and commitment matters.

Its supervisory responsibility includes the direction, planning, and appraisal of the staffs of the chief attorneys in regional offices. It formulates and validates work measurement and quality performance standards used as control tools by management.

During fiscal year 1964, plans were initiated for functionally realining the chief attorneys' offices so as to permit better utilization of available manpower. These plans will be implemented in fiscal years 1965 and 1966. In fiscal year

1964, too, far-reaching procedural modifications were instituted substantially altering operational techniques and reflecting basic changes in concepts as to agency responsibility toward beneficiaries under legal disability.

*Field*

As a result of the recent functional realinement, the office of the chief attorney in the field stations now consist of chief attorney, who is responsible for overall supervision; three technical sections, general legal, field legal, and investigative, and estate management; and a stenographic and clerical support section.

Essential services for an increasing number of beneficiaries in fiscal years 1965 and 1966 will be accomplished with fewer people—attributable in some measure to anticipated increased productivity, but due largely to the realinement of function and organization in the office of the chief attorney, described above. This change will permit—

1. cross-utilization of attorneys in all professional areas by directing professional manpower usage from estate management to legal problem areas and court action and by consolidating the roles of the "in-office attorney" responsible for making decisions in guardianship matters with the "field attorney" responsible for developing the facts on which the decisions are to be based;
2. use of nonprofessionals in the quasi-legal estate management area in addition to the administrative areas; and
3. use of positions previously working in the supervisory area to casework responsibilities, etc.

*Workloads*

To carry out its responsibility of assuring prudent utilization of funds, this program is concerned with the economic, social, and health problems of the beneficiaries. It does this by (1) a periodic calling of the beneficiary account for auditing purposes, and (2) a thorough investigation, on a regular basis, of the beneficiaries' home situation in the form of a field examination. The number of such audits and field examinations, thus, is directly tied to the number of wards supervised.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Wards on rolls | 533,631 | 545,000 | 547,000 |
| Accounts audited | 204,565 | 156,000 | 156,000 |
| Field examinations completed | 172,629 | 175,000 | 175,000 |

*Wardload is increasing.*—11,000 more beneficiaries in fiscal year 1965 over 1964; about 3,000 more expected in fiscal year 1966 over 1965, notwithstanding changes in regulatory and procedural concepts which terminate supervision of short-term benefit awards and VA institutional award cases. Minors will constitute the greater proportion of new wards.

*Decrease in accounts audited.*—This, too, is due to a regulatory and procedural change which no longer requires accountings for legal custodians. Estate administration review will be accomplished as part of the triennial personal contact.

*Increase in field examinations.*—Directly related to increase in wardload.

*Personnel compensation and benefits*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 1,452 | 1,368 | 1,312 | −56 |
| Salary cost | $12,369,560 | $12,733,000 | $12,298,000 | −$435,000 |

The requested amount of $12,298,000 for fiscal year 1966 will permit an average employment of 1,312. The agency share of the expense of several employee benefit programs is included in this amount.

*Travel and transportation of persons.*

Travel costs are directly related to the number of required field examinations, and are projected as follows:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employee travel | $560,554 | $552,000 | $546,000 | −$6,000 |

Although an increase of about 2,500 field examinations is anticipated in fiscal years 1965 and 1966, expanded usage of GSA rental vehicles will enable us to do the job with less travel funds.

*Of additional interest*

In fiscal year 1964, chief attorneys:

Recovered $2,725,462 for the United States in connection with escheat, cost of hospitalization furnished by the VA, overpayment, loan guarantee program related and other actions;

Effected repayment to the estates of VA beneficiaries amounting to $194,028. This represented a large portion of the moneys lost, $205,785 due to embezzlement, unauthorized expenditure, etc.;

Found and corrected 13,591 cases of unsatisfactory conditions among beneficiaries; and

Exercised, as in the past, effective supervision over an increasing number of beneficiaries with a declining number of employees.

Mr. EVINS. This shows you the awards on the rolls and the accounts audited, and your guardianship and attorneys found and corrected 13,591 cases of unsatisfactory conditions to beneficiaries.

Your table on 2–20 shows awards up and the personnel down.

## CONTACT PROGRAM

We will turn to the Contact Division under general operating expense.

Of the estimated 189 million civilian residents in the United States, about 81 million were veterans or members of veterans' families, or survivors. Thus 43 percent of the population are potential customers of the VA. The contact program is the VA's personal link with these millions of citizens. They furnish personal information and by correspondence.

The table on 2–21 shows you the highlights. Over 5.3 million individuals were assisted. This table shows you have contact facilities in 154 VA hospitals, 66 regional offices, 10 VA offices, 3 non-VA hospitals, the VA central office, and the VA office in Europe, and there is where I want you to save the outflow of gold. Insert pages 2–21, 2–22, and 2–24.

(The pages follow:)

CONTACT

Of the estimated 189.3 million civilian residents of the United States at the end of fiscal year 1964, almost 81 million were veterans, members of the veterans' families or dependent survivors (widows, minor children, and parents) of deceased veterans. Thus, about 43 percent of the Nation's civilian population are potential customers of the VA, or at least have reason to be interested in, and inquire of their rights and entitlement to VA benefits and services.

The contact program is the VA's personal link with these millions of citizens and the source to which they may confidently come for advice and information regarding their needs with the assurance of receiving accurate and timely information. It is a program of assistance through information furnished by personal interview and correspondence with these persons on all aspects of matters administered by VA, as well as on matters affecting them which are under the jurisdiction of other Federal, State, county, and local agencies.

*Highlights*

Over 5.3 million individuals were assisted through personal and telephone interviews in fiscal year 1964. This was accomplished with an average employment of 926 at contact facilities located in 236 installations, comprising:

154 VA hospitals.
66 VA regional offices.
10 VA offices.
3 non-VA hospitals.
The VA central office.
The VA office for Europe.
The VA office, Balboa, Panama Canal Zone.

In addition to these fixed sites, a regularly scheduled itinerant service program was utilized in serving 124 State institutions and communities where VA offices had formerly been located.

The VA office for Europe, having now completed one full year of operation, contributed most effectively to the VA mission by participating in the Bureau of the Budget sponsored interagency validation study of U.S. benefits disbursed to recipients residing in several selected European countries.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 926 | 861 | 794 | −67 |
| Costs: | | | | |
| Personnel compensation | $6,870,039 | $6,915,000 | $6,491,000 | −$424,000 |
| Personnel benefits | 530,247 | 532,000 | 501,000 | −31,000 |
| Total personal services and benefits | 7,400,286 | 7,447,000 | 6,992,000 | −455,000 |
| Travel and transportation of persons | 67,293 | 65,000 | 60,000 | −5,000 |
| Total costs | 7,467,579 | 7,512,000 | 7,052,000 | −460,000 |

*Summary of major workloads*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Interviews | 5,347,000 | 5,263,000 | 5,154,000 | −109,000 |
| Applications and forms | 1,619,000 | 1,606,000 | 1,573,000 | −33,000 |
| Correspondence prepared | 695,000 | 666,000 | 651,000 | −15,000 |

Projected workloads reflect a continuing gradual downward trend, whereas some workloads of substantive programs are increasing. This condition is attributable to the fact that veterans at large are now better informed on veterans' affairs and the means of obtaining benefits. Consequently, in lieu of personal contacts, when veterans do seek assistance, a greater number of them resort to the telephone or rely on exchange of correspondence to resolve their problems. Furthermore, correspondence which requires determinative actions in complicated individual situations is handled directly by appropriate elements of the substantive programs.

*Average employment*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Departmental | 31 | 22 | 22 | |
| Field: | | | | |
| Contact representatives | 663 | 622 | 570 | −52 |
| Clerical | 227 | 206 | 191 | −15 |
| Foreign operations | 5 | 11 | 11 | |
| Total, field | 895 | 839 | 772 | −67 |
| Total | 926 | 861 | 794 | −67 |

*Departmental*

This employment represents the staff required in central office to perform these major functions:

Formulates and recommends to the chief benefits director plans, regulations, procedures, and policies of Department wide application pertinent to the contact program.

Provides direct information, advice, and assistance to veterans and their dependents who make personal appearances at the central office location.

Supervises the activities of the contact program at all field installations.

Administers a program of foreign affairs including veterans' services in foreign countries and U.S. possessions not under regional office jurisdiction.

Coordinates matters relating to the administration of the Manila regional office, including their performance of certain functions for the Social Security Administration in the Philippines.

Provides information and assistance to VA employees traveling or transferring to foreign countries.

*Field*

Employment provides personnel to staff all field locations including the Veterans Administraiton's foreign operations centered at Rome and Balboa. Regional office sections and VA offices are staffed by application of work measurement procedures. Adequate staffing is maintained at hospitals and domiciliaries to provide patients with essential service relating to veterans' benefits.

*Personnel compensation and benefits*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment | 926 | 861 | 794 | −67 |
| Salary cost | $7,400,286 | $7,447,000 | $6,992,000 | −$455,000 |

Mr. EVINS. Off the record.

(Discussion held off the record.)

FOREIGN OFFICES

Mr. EVINS. Please detail for the record the number of offices and branch offices operated or maintained by the VA in Europe or outside the United States.

Mr. STRATTON. One in Rome, Italy.

Mr. EVINS. Do you have one you are going to take over in Paris, France?

Mr. DRIVER. No, sir; that is just a building. There is no VA office we would have anything to do with.

Mr. THOMAS. Go ahead and name them.

Mr. STRATTON. In the Canal Zone we have a contact office with two people. In Rome, that is the only office in Europe, and we have nine people.

Mr. EVINS. That is the only one in Europe?

Mr. STRATTON. Yes, sir.

FUNCTIONS OF FOREIGN OFFICES

Mr. THOMAS. What is their function?

Mr. STRATTON. Their function is to continually train the legations and the State Department officials at all the embassies so they will be equipped to give advice to veterans who come in to see them.

Mr. THOMAS. That is high-sounding language. You don't any more need nine people over there than I need a third foot. What they do is take care of the Americans going to school over there and help them with their checks and help them with their little local problems, and that is it. It is not primarily the American veterans living over there, but you have set it up for those going to school over there. How many do you have going to school now in Europe? Those three offices could very easily be cut out. You don't need those lawyers. You have kept lawyers over there and you don't need them, do you?

Mr. STRATTON. No, sir.

Mr. THOMAS. You used to have an office in Paris. You had a section in the embassy. That is all they did. It was just a little hangout place. Somebody could come in and moan and groan that their check wasn't high enough, and they ought to have a little bit more.

Mr. DRIVER. All these people do, directly, is authorize medical care for Americans who reside abroad. The other work they do is to visit embassies and make certain that the work is being done properly by the embassy personnel.

Mr. THOMAS. Where are the green sheets on these nine people?

Mr. STRATTON. There are four Americans there, Mr. Chairman, and five natives.

Mr. THOMAS. Where are your green sheets on the four Americans?

Mr. STRATTON. We do not have a green sheet separately for the European office. That would be the contact program green sheet, which includes not only Rome but the entire complement we have here.

Mr. THOMAS. Those four over there must have a hard time.

Mr. STRATTON. The man in charge is a grade 15, Mr. Chairman. There is also one GS–13 and two GS–12's; the natives are in the clerical category.

Mr. THOMAS. You need those two 12's, that 13, and that 15 like I need a third foot.

Mr. EVINS. I recommend you bring them home.

OVERSEA EXPENDITURES

This chart on 4–10 is expenditures in the United States, in foreign countries, and U.S. possessions. This is a 10-year comparison. Describe that chart for us.

Mr. STRATTON. That chart on 4–10?

Mr. EVINS. Yes, sir.

Mr. STRATTON. The expenditures to the United States, of course, are part and parcel of that 3–4 that we have talked about. The "Foreign countries" is also in there. The broken lines, of course, make the foreign country payments look considerably larger than they are. In the U.S. possessions and associated areas, that would be in places like Guam, and Wake, and Puerto Rico.

Mr. EVINS. Dollarwise, how much is the VA expenditure in foreign countries annually?

Mr. STRATTON. We are spending totally now in all foreign countries, except for the Philippines, $27,600,000, and in Manila it is $42,500,000.

Mr. EVINS. Can't you issue some type of regulation with regard to this $27 million being spent on the veterans outside the United States? In view of the balance-of-payments situation and the gold flow, I should think you could.

Mr. THOMAS. What part of those are aliens and what part are American citizens? I am referring to that $27 million expenditure in Europe.

Mr. STRATTON. I would say there is a very small percentage of that are aliens. Most of those in Italy—most of these people are of course veterans, U.S. citizens who reside in these foreign countries at the present time, and draw money that they are entitled to, just like a person who is living in a State in this country.

Mr. THOMAS. And the only exception is in the Philippines, and they are not citizens? They are people who joined our armed services?

Mr. STRATTON. Yes, sir; in several categories.

Mr. EVINS. Under the tab "Special analyses," there is a summary of expenditures in the United States and foreign countries and U.S. possessions, and the summary of payments for the 10-year comparison is on page 4–10 and 4–16. This gave me some concern that we are expending a large number of our dollars outside the United States. Is there anything the Veterans' Administration can do by way of regulation?

Mr. DRIVER. Not under the law.

Mr. MONK. Mr. Evins, I have here a tabulation by country of these total expenditures for the fiscal year 1964 broken down into compensation, pension, readjustment allowances, insurance payments, and other miscellaneous payments, if you would like to have that in the record.

Mr. EVINS. How much does it amount to dollarwise?

Mr. MONK. It amounts to a total of $70,486,327, and it breaks down in compensation to $32,279,519; for pensions it is $24,897,600; readjustment allowances—and these are basically the trainee cases that the chairman referred to—733 individuals or cases, for a total payment

of $1,262,218. There are 40,293 people getting insurance payments, for a total of $9,177,675, and then miscellaneous payments of $2,869,315.

Mr. EVINS. Perhaps you could not do anything about the insurance payments, but what about the education and training.

Mr. MONK. That is almost done. That is practically out.

Mr. THOMAS. Will the gentleman yield?

Mr. EVINS. Yes.

PAYMENTS IN FOREIGN CURRENCY

Mr. THOMAS. What merit does this suggestion have. Somebody made it the other day. We have a lot of these foreign currencies in our Treasury. Instead of sending dollars overseas to our boys, send them the currencies of the countries where they are domiciled?

Mr. MONK. We did pay some in foreign currency.

Mr. DRIVER. They started this and then discontinued it as being impractical.

Mr. THOMAS. Why?

Mr. DRIVER. I do not know the reason for that. This was the Treasury Department's decision, and we concurred in their request to do exactly what you said, except for insurance payments, and they did begin to do it.

Mr. THOMAS. What is impractical about it?

Mr. DRIVER. I do not know.

Mr. THOMAS. They will have to change the dollars into the currency of the country.

Mr. SILBERMAN. They did it for about a year and a half and then stopped in some countries.

Mr. THOMAS. What is the objection?

Mr. SILBERMAN. I do not know.

Mr. THOMAS. Does anybody know what objection there was? What is the thinking of the Veterans' Administration about it?

Mr. DRIVER. We were perfectly willing it be done, and it seemed a reasonable way.

Mr. THOMAS. If a man is in France or Germany or Italy, what is wrong with paying him in the currency of the country at the going rate of exchange, whatever it is? What is the mark, 4 to 1, and the pound, 2.80?

Mr. DRIVER. 2.78.

Mr. THOMAS. What is wrong with that?

Mr. DRIVER. From our standpoint, not a thing, Mr. Chairman.

Mr. THOMAS. That would certainly help the balance of payments to the extent of $70 million.

Mr. EVINS. Do they have a regulation to that effect?

Mr. DRIVER. They do not need any authority, I think.

Mr. THOMAS. Who originated the idea, the Treasury or the Veterans Administration?

Mr. DRIVER. The Treasury.

Mr. THOMAS. They asked you to do it and then they asked you to stop?

Mr. DRIVER. They asked if we had any objection, and we pointed out the difficulties in terms of insurance contracts. On the other side, we agreed with it and did not object, and they started doing it.

Mr. THOMAS. What is the difficulty with the insurance?

Mr. FABLE. The contract calls for U.S. currency.

Mr. THOMAS. You are receiving the money.

Mr. FABLE. Payments to beneficiaries would depend upon what the exchange rate was going to be, and you run into questions of black market exchange rates, artificial rates, and various other questions that made the Treasury Department shy away from it when they considered it. They did go ahead with compensation and pension.

Mr. THOMAS. Outside of insurance you pay in the currency of the country they are going to spend it in. As far as the insurance, they are paying the money to you, and where you run into difficulty is you have to do a lot of figuring between the dollars and the currency. You are the receiver in this instance, and in the other instance the veteran is the receiver. Is that the difference?

Mr. DRIVER. In terms of the feasibility for one and not for the other, I think that is basically the difference; yes, sir.

## COMPENSATION, PENSION, AND EDUCATION—OPERATING EXPENSES

Mr. EVINS. Under operating expenses for compenation, pension, and education you show a reduction of 70 jobs and 60 average employment. This is the overhead for your largest program in terms of expenditures. This is all good reading material and we will insert 2–26, 2–27, and 2–29 through the top of 2–34.

(The pages follow:)

### COMPENSATION, PENSION, AND EDUCATION

The compensation, pension, and education program administers all laws governing (1) payment of compensation and related benefits; (2) payment of pension; (3) vocational rehabilitation needed by Korean conflict, World War II, and certain peacetime veterans with service-connected disabilities; and (4) vocational counseling and educational assistance including financial support to the sons and daughters of veterans who died as a result of service in the Armed Forces or have been rendered permanently and totally disabled from service connected causes. While this program is designed primarily to afford grateful recognition of the dedication and sacrifice of former service men and women during war, a wide range of benefits is also administered in behalf of the peacetime-service veteran.

By nature of the benefits administered, this program is one of constantly growing magnitude. It now affects a larger number of individuals and involves a greater expenditure of money than all of the other VA programs combined; and it will continue to grow. Approximately 14 percent of the total war veteran population is now in receipt of compensation or pension. This proportion will continue to grow for each war veteran group the further away we move from the termination of the war period.

*Highlights*

The budgetary requirements of this program naturally follow the course of the growing workload in spite of continued procedural improvements, regulatory changes aimed at facilitating the tremendous administrative load and steadily improving employee productivity. In fiscal year 1962 there were an average of 4,227,564 cases on the compensation and pension rolls. In the fiscal

year 1964 just past, this number had increased by 4 percent to 4,399,325, notwithstanding the deaths among those who were receiving benefits in fiscal year 1962. This, of course, is only a partial portrayal of the workload of the compensation and pension phase of this program. Also to be accounted for are such items as awards of burial benefits, consideration of claims by those already on the rolls for increased benefits, cases of claimants who are not entitled but must nevertheless be fully adjudicated, consideration of claims for change in type of benefit and annual review of pension cases to ascertain continued entitlement. These are, of course, not the entire list, but are representative of the types and kinds of actions and considerations continually handled.

During fiscal year 1964 vocational rehabilitation was begun for 7,700 disabled veterans, an additional 6,000 Korean conflict veterans started readjustment training, and educational assistance started for 10,000 orphans of deceased veterans. With these, the VA has aided in the vocational rehabilitation of almost 700,000 disabled veterans with service since World War II; assisted in the readjustment training of 2,387,000 Korean conflict veterans; and provided educational assistance to 66,200 orphans of deceased veterans.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Departmental | 143 | 137 | 136 | −1 |
| Field | 3,905 | 3,700 | 3,641 | −59 |
| Total | 4,048 | 3,837 | 3,777 | −60 |
| Costs: | | | | |
| Personnel compensation | $33,416,481 | $35,030,000 | $35,030,000 | −$701,000 |
| Personnel benefits | 2,497,898 | 2,643,000 | 2,640,000 | −3,000 |
| Total personal services and benefits | 35,914,379 | 38,374,000 | 37,670,000 | −704,000 |
| Travel and transportation of persons | 553,199 | 516,000 | 423,000 | −93,000 |
| Other services | 1,569,991 | 1,358,000 | 792,000 | −566,000 |
| Grants to States | 727,034 | 575,000 | 190,000 | −385,000 |
| Total costs | 38,764,603 | 40,823,000 | 39,075,000 | −1,748,000 |

The distribution of employment is summarized below:

| | 1965 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Departmental: | | | | |
| Office of Director | 11 | 9 | 9 | |
| Administrative (clerical) | 23 | 22 | 22 | |
| Policy | 42 | 38 | 37 | −1 |
| Program administration | 49 | 60 | 60 | |
| Program financial management and standards | 8 | 8 | 8 | |
| Total | 143 | 137 | 136 | −1 |
| Field: | | | | |
| Office of Adjudication Officer | 449 | 449 | 415 | −34 |
| Rating board | 647 | 690 | 592 | −8 |
| Authorization | 1,839 | 1,818 | 1,818 | |
| VCTA | 266 | 215 | 208 | −7 |
| Services section | 704 | 618 | 608 | −10 |
| Total | 3,905 | 3,700 | 3,641 | −59 |

The following is a brief description of the major duties and responsibilities of departmental and field station staffs, together with an analysis of requirements:

*Departmental*

Departmental employment is all located in Central Office, constituting the headquarters staff. It is devoted to directing, supervising, and providing technical and policy assistance to field stations in carrying out their assigned responsibilities. In general, overall policy is formulated; individual station performance is analyzed on a recurring basis; proposed legislation or revision to existing legislation is reviewed and recommendations are prepared for use in congressional hearings. These staff elements, by the nature of the duties involved, are not susceptible to work measurement standards. The annual average of 136 man-years in fiscal year 1966 represents but about 3½ percent of the total program employment. This is believed a conservative bulwark of watchfulness and supervision for a program providing in excess of $4 billion in benefit payments annually.

*Field*

It is in the regional offices that claims for compensation, pension, and related benefits are adjudicated, where the disabled veteran is counseled and assisted in his rehabilitation, and educational counseling and guidance is provided to war orphans. This is the "production" work. Approximately 70 percent is directly measured and reported by current work measurement methods, standards, and criteria. Naturally, the workload in educational and counseling activities is lessening as existing entitlement periods mature. This decline is offset, however, by the growing needs of the compensation and pension activity. In anticipation of the educational program decline and with an awareness of the fine talent and professional skills available to VA among the employees engaged in this work, the vocational rehabilitation and education activity was merged with the compensation and pension program during fiscal year 1964. In keeping with the policy and desires established at that time, a plan of cross-training combined with restricted filling of vacancies was intiated for the staff employees of the former education activity. Thus, a twofold purpose is served wherein trained personnel are available to handle the increasing workloads and the skills of this group of employees are retained in VA.

*Summary of major workloads*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| End products: | | | | |
| 110 Initial disability claims | 169,258 | 160,000 | 183,000 | +23,000 |
| 120 Nonoriginal claims | 291,257 | 280,000 | 319,500 | +39,500 |
| 130-350 Income and dependency claims | 729,174 | 920,000 | 825,000 | −95,000 |
| 140 New death claims | 137,439 | 145,000 | 149,000 | +4,000 |
| 150 Insurance | 44,086 | 45,000 | 46,000 | +1,000 |
| 160 Burial claims | 229,811 | 244,000 | 250,000 | +6,000 |
| 170 Statement of the case | 38,184 | 40,000 | 42,000 | +2,000 |
| Total | 1,639,209 | 1,834,000 | 1,814,500 | |
| Annual average trainees: | | | | |
| Readjustment training | 25,526 | 7,300 | | −7,300 |
| Vocational rehabilitation | 5,441 | 5,600 | 3,800 | −1,800 |
| Sons and daughters | 15,543 | 16,400 | 17,100 | 700 |
| Total | 46,510 | 29,300 | 20,900 | |
| Counseling: | | | | |
| Fee basis | 18,120 | 17,700 | 9,200 | −8,500 |
| VA staff | 21,375 | 19,500 | 18,000 | −1,500 |
| Total | 39,495 | 37,200 | 27,200 | |

The benefits administered by this program fall into two major categories. They are:

COMPENSATION AND PENSION

Workload is generated by claims from veterans or dependents of disabled or deceased veterans. These are divided into various categories such as:

*Initial disability claims.*—5.4 percent fewer claims were received in fiscal year 1964 than in fiscal year 1963. It is estimated this trend will continue in fiscal year 1965. However, this decline will be reversed in fiscal year 1966 since, for the first time, the projected increase in claims of World War II veterans will more than offset the decline in those pertaining to World War I. Also included in fiscal year 1966 are approximately 21,000 claims resulting from the enactment of Public Law 88–664.

*Nonoriginal claims.*—Basically, the projection of nonoriginal claims is related to: (1) the age groupings of veterans in each service category, (2) running awards of compensation, and (3) running awards of pensions. This workload is influenced in part by the same factors affecting initial disability claims. There were approximately 8.5 percent less claims processed in this area during fiscal year 1964 than in fiscal year 1963. This trend, while not as marked (3.9 percent) is expected to continue in fiscal year 1965. Here again, and due in part to the same factors affecting initial disability claims, an increase of about 14 percent is indicated in fiscal year 1966.

*Dependency and income claims.*—Dependency and income claims include all claims (both death and disability) where the primary issue involves: (1) dependents, (2) income and/or estate, (3) hospitalization, and (4) elections under Public Law 86–211. An accelerating trend is projected in this phase of the program. Fiscal year 1964 reflected an increase of about 19 percent over fiscal year 1963. This is expected to continue with increases of approximately 26 and 13 percent in fiscal year 1965 and fiscal year 1966 over fiscal year 1964. This is primarily due to (1) increased number of total pension awards, and (2) a higher percentage of World War II and Korean conflict veterans being paid under Public Law 86–211. Since both the running award volume is increasing as well as the percent of claims paid under Public Law 86–211, the running award volume will create more work each year. The volume is generated because of the three income brackets under this law as compared to one under the old law and results in increased award adjustment and development of evidence to establish income levels, dependency status and net worth. Included in the estimate for fiscal year 1965 are 140,000 elections applicable to the provisions of Public Law 88–664.

*New death claims.*—Actual experience in fiscal year 1964 reflected an increase of 4 percent over fiscal year 1963. This trend is expected to continue at about the same rate of increase in fiscal years 1965 and 1966. The projections are reflective of increases in mortality rates as the veteran population grows older.

*Insurance claims.*—These projections are based on the increase in the death rate as the insureds become older. The number of insurance claims in fiscal year 1964 was 10-percent greater than in fiscal year 1963. Increases of approximately 2.5 and 4.2 percent are projected in fiscal years 1965 and 1966, respectively, over fiscal year 1964.

*Burial and accrued reimbursement claims.*—Activity in this area increased by about 3 percent in fiscal year 1964 over the level attained in fiscal year 1963. Increases of approximately 6.2 and 8.8 percent in fiscal years 1965 and 1966 are projected over fiscal year 1964. These are reflective of increases in mortality rates as the veteran population grows older.

*Notices of disagreement.*—Projections for this workload are related to the potential appealable actions primarily from initial disability claims, nonoriginal claims, income and dependency claims, income questionnaires, new death claims, insurance claims eligibility determinations, review of future examinations, and review due to hospitalization or outpatient treatment. It is anticipated that approximately 2 percent of the actions taken in the above workload will generate notices of disagreement.

VOCATIONAL REHABILITATION AND EDUCATION

Workload in the education segment of this program will be derived in fiscal year 1966 and thereafter from the reservoir of disabled veterans, war orphans, and sons and daughters of totally and permanently disabled veterans eligible for educational assistance under the various laws currently in effect.

*Readjustment training and education.*—During fiscal year 1964, 6,000 Korean conflict veterans started readjustment training. This brought the total to

2,387,000 Korean conflict veterans who have trained under this program. The monthly average of Korean conflict veterans in training during fiscal year 1964 was 25,500, with the peak enrollment being about 38,500 in November 1963. Korean conflict veterans were paid education and training allowance of about $63 million in fiscal year 1963. This was reduced by 46 percent to $34 million in fiscal year 1964. A further reduction of about 70 percent to $10.5 million is estimated for fiscal year 1965. This program terminates on February 1, 1965. Therefore, no funds are included for fiscal year 1966.

*Educational assistance for orphans and sons and daughters of totally and permanently disabled veterans.*—During fiscal year 1964, 10,000 orphans entered training. The total orphans entered training thus far is 66,200. The monthly average number of orphans in training in fiscal year 1964 was 15,500, with a peak training load of 24,500 during December 1963. The estimated monthly average of orphans in training is 15,000 in fiscal year 1965 and 14,500 in fiscal year 1966. Public Law 88–361, amending chapter 35 of title 38, was enacted on July 7, 1964. This provides educational assistance, similar to the war orphans program, to sons and daughters of totally and permanently disabled veterans. This law added approximately 1,400 to the monthly average of trainees in fiscal year 1965 and 2,600 in fiscal year 1966. Payments of educational assistance amounted to $24.8 million in fiscal year 1964. This was a decrease of 3.5 percent from fiscal year 1963. Due to the impact of Public Law 88–361, payments in fiscal years 1965 and 1966 are expected to increase to approximately $27.1 and $28.3 million, respectively.

*Vocational rehabilitation.*—During fiscal year 1964, 1,500 disabled Korean conflict veterans and 1,200 World War II veterans entered vocational rehabilitation training for the first time. Also, 5,000 peacetime veterans (Public Law 87–815) whose disabilities were incurred during the period between World War II and the Korean conflict or since January 31, 1955, enrolled for vocational rehabilitation training. The monthly average number of disabled veterans in training was 5,400, with a peak training load of 6,600 veterans in April 1964. Cost of special assistance to disabled veterans in fiscal year 1964 amounted to $4.2 million or an increase of about 27.3 percent over fiscal year 1963. A further increase to $4.6 million is expected in fiscal year 1965. As trainees decline in fiscal year 1966, payments will also decrease to about $3.3 million.

*Counseling.*—Staff and fee basis counseling reflected an increase of about 4.8 percent in fiscal year 1964 over the previous year. However, in line with the declining trend in trainees, reductions of 5.8 and 26.9 percent are projected for fiscal years 1965 and 1966, respectively. At the present time, about 100 contracts are in effect with guidance centers or individuals as a resource to counsel those veterans, orphans, or sons and daughters of disabled veterans who cannot for various reasons be counseled by VA staff counselors. The number of contracts remains fairly constant and is sufficient to accommodate the workload in the foreseeable future.

## Compensation and Pension

### *Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| 1. Compensation: | | | |
| (a) Living veterans: | | | |
| Spanish-American War | 319 | 288 | 247 |
| World War I | 174,967 | 165,432 | 155,844 |
| World War II | 1,199,030 | 1,158,088 | 1,208,322 |
| Korean conflict | 208,560 | 213,105 | 216,448 |
| Peacetime service | 112,961 | 122,851 | 131,615 |
| Total living veterans | 1,695,837 | 1,659,764 | 1,712,476 |
| (b) Deceased veterans: | | | |
| Prior to Spanish-American War | 86 | 73 | 66 |
| Spanish-American War | 1,156 | 1,113 | 1,022 |
| World War I | 63,286 | 63,648 | 62,400 |
| World War II | 272,038 | 264,863 | 258,968 |
| Korean conflict | 53,513 | 54,240 | 54,792 |
| Peacetime service | 71,702 | 79,002 | 84,776 |
| Total deceased veterans | 461,781 | 462,939 | 462,024 |
| Total compensation | 2,157,617 | 2,122,703 | 2,174,500 |

*Program and financing*—Continued
[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities—Continued | | | |
| 2. Pensions: | | | |
| (a) Living veterans: | | | |
| Prior to Spanish-American War | 37 | 22 | 16 |
| Spanish-American War | 23,793 | 20,124 | 16,901 |
| World War I | 950,507 | 930,384 | 937,726 |
| World War II | 167,773 | 196,026 | 245,054 |
| Korean conflict | 12,438 | 14,753 | 18,725 |
| Peacetime service | 33 | 34 | 32 |
| Total living veterans | 1,154,581 | 1,161,343 | 1,218,454 |
| (b) Deceased veterans: | | | |
| Prior to Spanish-American War | 1,991 | 1,780 | 1,604 |
| Spanish-American War | 51,668 | 50,147 | 48,339 |
| World War I | 307,154 | 320,560 | 339,918 |
| World War II | 205,757 | 219,662 | 269,589 |
| Korean conflict | 18,766 | 22,315 | 27,419 |
| Peacetime service | 8 | 6 | 5 |
| Total deceased veterans | 585,345 | 614,470 | 686,874 |
| Total pensions | 1,739,925 | 1,775,813 | 1,905,328 |
| 3. Other: | | | |
| (a) Retired officers | 2,660 | 2,565 | 2,413 |
| (b) Adjusted service and dependents pay | 1 | 1 | 51 |
| (c) Subsistence allowance | 7,508 | 7,672 | 5,206 |
| (d) Burial benefits | 50,169 | 54,344 | 56,826 |
| (e) Special allowance, dependents | 128 | 150 | 160 |
| (f) Invalid lifts | 22 | 25 | 32 |
| (g) Tort claims settlements | | 150 | 150 |
| Total other | 60,488 | 64,907 | 64,838 |
| Total program costs, funded | 3,958,031 | 3,963,423 | 4,144,666 |
| Change in selected resources [1] | 1,157 | | |
| 10 Total obligations (object class 42.0) | 3,959,188 | 3,963,423 | 4,144,666 |
| Financing: | | | |
| 13 Receipts and reimbursements from: Trust fund accounts: Payment from adjusted service certificate fund | | | −2,666 |
| 21 Unobligated balance available, start of year | −8,610 | −423 | |
| 24 Unobligated balance available, end of year | 423 | | |
| 40 New obligational authority (appropriation) | 3,951,000 | 3,963,000 | 4,142,000 |
| Relation of obligations to expenditures: | | | |
| 10 Total obligations | 3,959,188 | 3,963,423 | 4,144,666 |
| 70 Receipts and other offsets (items 11-17) | | | −2,666 |
| 71 Obligations affecting expenditures | 3,959,188 | 3,963,423 | 4,142,000 |
| 72 Obligated balance, start of year | 2,103 | 84 | 84 |
| 74 Obligated balance, end of year | −84 | −84 | −84 |
| 90 Expenditures | 3,961,206 | 3,963,423 | 4,142,000 |

[1] Selected resources as of June 30 are as follows: Accounts receivable (benefit overpayments collectible from beneficiaries) 1963, $13,852,000 (1964 adjustment, −$21,000); 1964, $14,988,000; 1965, $14,988,000; 1966, $14,988,000.

Mr. Evins. The chart on 1-7 shows that the appropriation for compensation and pensions that takes up 95.88 percent of the Department's money. Are you sure there are no other items included in this compensation and pension designation?

Mr. Monk. You mean this year?

Mr. Evins. For next year.

Mr. MONK. We put that little amount in there for adjusted service certificates of $25,000.

Mr. EVINS. Is this one of the highest amounts ever appropriated for compensation and pensions?

Mr. MONK. The highest.

Mr. EVINS. The highest ever?

Mr. DRIVER. Yes, sir.

Mr. EVINS. Give us the rundown as to the number of veterans who will be receiving compensation and pension. This is, of course, by statute, it is mandatory it be paid.

Mr. STRATTON. On page 3–4 we give you the breakdown on both compensation and pensions.

Mr. DRIVER. The number of pages and the dollars involved are listed side by side, Mr. Evins.

Mr. EVINS. We will put 3–1, 3–2, and 3–3 as well as 3–4 in the record at this point.

(The pages follow.)

COMPENSATION AND PENSIONS

There are two programs administered by the Veterans Administration which pay monthly benefits to veterans of war service who have disabilities. The first is compensation. This program provides financial assistance to veterans with service-connected disabilities to compensate them for loss or reduction of earning power due to injury or disease incurred in or aggravated by military service. It also indemnifies the dependents of those veterans who died in war or as a result of conditions associated with military service. The second is pension. This program furnishes financial aid to needy war veterans who are permanently and totally disabled from disease or injuries not incurred in military service. It also provides financial assistance to widows and children of veterans who are without adequate means of supporting themselves.

These programs affect a large number of individuals and involve the expenditure of more money than all of the other VA programs combined. More than $3.9 billion was paid to over 4.4 million veterans and their dependents in 1964. Almost 2 million veterans received payment of compensation for service-connected disabilities and dependents of approximately 370,000 deceased veterans received compensation benefits based upon the veterans service-connected death. Pension payments were made to 1.2 million nonservice-connected veterans and to the dependents of more than 840,000 deceased veterans.

The trend of total caseload will continue to rise for several years because of varying forces within the program. The detailed chart on page 3–5 reflects the caseload trend of the total program. Generally speaking, the number of compensation cases on the rolls are gradually declining and the pension caseload is on the upswing. Further analyses of the changes within the program appear in the discussion under each specific category. The table on page 3–4 reflects the magnitude of the compensation and pensions program.

APPROPRIATION LANGUAGE

For the payment of compensation, pensions, gratuities, and allowances (including burial awards authorized by sec. 902 of title 38, United States Code, burial flags, and subsistence allowances for vocational rehabilitation), authorized under any act of Congress, or regulation of the President based thereon, including emergency officers' retirement pay and annuities, the administration of which is now or may hereafter be placed in the Veterans Administration, and for the payment of adjusted service credits and certificates as provided in sections 401, 601, and 647 of the act of May 19, 1924, as amended, and for the payment of amounts of compromises or settlements under 28 U.S.C. 2677 of tort claims potentially subject to the offset provisions of 38 U.S.C. 351, $4,142

million, to remain available until expended: Provided, that the unexpended balance in the adjusted service certificate fund, as of June 30, 1965, shall be transferred to this appropriation.

This request to eliminate the fund and to make all payments from this appropriation is based on the fact that activity has declined during the past few years to less than $75,000 annually, with future requirements to be even lower as the outstanding certificates are redeemed. The funds remaining in the adjusted service certificate fund as of June 30, 1965, estimated at approximately $2.7 million, will be transferred to this appropriation.

*Legislative changes, 1964*

Certain laws enacted during 1964 increased costs of both compensation and pension benefits, with significant impact on the pension program. Cost effects of such legislation have been considered as indicated below.

*Public Law 88–359, approved and effective July 7, 1964.*—Eliminates offset against burial allowances paid by VA for amounts paid by burial associations. No costs in 1965 or 1966.

*Public Law 88–422, approved August 12, 1964, effective September 1, 1964.*—Increased basic rate payable to members of uniformed services. Indirect effect on DIC widow rates. Estimated cost of $1 million in 1965 and $1.2 million in 1966.

*Public Law 88–445, approved and effective August 19, 1964.*—Disability continuously rated at or above a given percentage for 20 or more years shall not be reduced. Estimated costs of $27,000 in 1965 and $51,000 in 1966.

*Public Law 88–450, approved August 19, 1964, effective October 1, 1964.*—Section 5 defers reduction for the aid and attendance allowance during hospitalization until second month after admission. Estimated costs of $851,000 in 1965 and $1,135,000 in 1966.

*Public Law 88–616, approved and effective October 2, 1964.*—Authorizes certain veterans' benefits for reservists suffering disability or death while en route to or from reserve training prior to January 1, 1957. Negligible cost effects in 1965 and 1966.

*Public Law 88–651, approved and effective October 13, 1964.*—Reduces age requirement to 40 years and permits holders of Congressional Medal of Honor awarded such medal under "noncombat" conditions to be placed on Medal of Honor roll. Such persons may apply for special pensions of $100 monthly. Estimated costs of $108,000 in 1965 and $170,000 in 1966.

*Public Law 88–664, approved October 13, 1964, effective January 1, 1965.*—Liberalizes new pension program (Public Law 86–211) by increasing disability and death pension rates, adding certain new rates, and amending or adding certain recoupment features and exclusions affecting veterans income for pension purposes. Estimated costs of $50 million in 1965 and $96.2 million in 1966.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Benefit costs: | | | | |
| Compensation | $2,157,617,317 | $2,172,703,000 | $2,174,500,000 | +$1,797,000 |
| Pensions | 1,739,925,413 | 1,833,813,000 | 1,905,328,000 | +71,515,000 |
| Other related benefits | 60,488,112 | 64,906,599 | 64,838,000 | −68,599 |
| Total cost | 3,958,030,842 | 4,071,422,599 | 4,144,666,000 | +73,243,401 |
| Adjustment of cost to obligations (net) | [1] 1,156,733 | | | |
| Total obligations | 3,959,187,575 | 4,071,422,599 | 4,144,666,000 | +73,243,401 |
| Transfer in from adjusted service certificate fund | | | −2,666,000 | −2,666,000 |
| Unobligated balance available, start of year (−) | −8,610,174 | −422,599 | | +422,599 |
| Unobligated balance available, end of year | 422,599 | | | |
| New obligational authority (appropriation) | 3,951,000,000 | [2] 4,071,000,000 | 4,142,000,000 | +71,000,000 |

[1] Change in selected resources.
[2] Includes supplemental of $108,000,000.

The increase in total appropriation requirements is attributable to an increasing average payment in disability and death compensation categories, continuing growth of certain pension caseloads, higher rates authorized by Public Law 88–664 for most disability and death pension beneficiaries beginning January 1, 1965, and to other minor rate-increasing legislation affecting disability and death compensation and pension benefits such as Public Laws 88–422, 88–450, and 88–651. Each of these factors contributes to the anticipated supplemental requirement of $108 million in 1965. The Administration will propose legislation to the Congress to permit the cycling of benefit payments to veteran beneficiaries and dependents of deceased veterans. This authority will reduce expenditures by $150 million in 1966. Actual and estimated costs, average payments, and average caseloads are summarized respectively for each major entitlement category in the table presented on the page following:

*Summary of requirements*

| | 1964 | | | 1965 | | | 1966 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Average cases | Average cost | Cost | Average cases | Average cost | Cost | Average cases | Average cost | Cost |
| Total costs | | | $3,958,030,842 | | | $4,071,422,599 | | | $4,144,666,000 |
| Compensation, total | 2,360,233 | $914 | 2,157,617,317 | 2,359,952 | $921 | 2,172,703,000 | 2,357,082 | $923 | 2,174,500,000 |
| Living veterans, total | 1,990,915 | 852 | 1,695,836,524 | 1,994,100 | 857 | 1,709,764,000 | 1,994,485 | 859 | 1,712,476,000 |
| Spanish-American War | 113 | 2,819 | 318,501 | 100 | 2,880 | 288,000 | 85 | 2,906 | 247,000 |
| World War I | 133,201 | 1,314 | 174,966,957 | 125,100 | 1,322 | 165,432,000 | 117,000 | 1,332 | 155,844,000 |
| World War II | 1,498,309 | 800 | 1,199,029,777 | 1,493,000 | 809 | 1,208,088,000 | 1,486,000 | 813 | 1,208,322,000 |
| Korean conflict | 218,787 | 953 | 208,560,310 | 223,100 | 955 | 213,105,000 | 226,600 | 955 | 216,448,000 |
| Peacetime service | 140,505 | 804 | 112,960,979 | 152,800 | 804 | 122,851,000 | 164,800 | 799 | 131,615,000 |
| Deceased veterans, total | 369,318 | 1,250 | 461,780,793 | 365,852 | 1,265 | 462,939,000 | 362,597 | 1,274 | 462,024,000 |
| Indian wars | 2 | 1,754 | 3,507 | 2 | 2,000 | 4,000 | 2 | 2,000 | 4,000 |
| Civil War | 60 | 1,378 | 82,654 | 50 | 1,380 | 69,000 | 45 | 1,378 | 62,000 |
| Spanish-American War | 743 | 1,556 | 1,155,813 | 700 | 1,590 | 1,113,000 | 650 | 1,572 | 1,022,000 |
| World War I | 41,574 | 1,522 | 63,286,011 | 40,800 | 1,560 | 63,648,000 | 40,000 | 1,560 | 62,400,000 |
| World War II | 244,854 | 1,111 | 272,037,936 | 238,100 | 1,112 | 264,863,000 | 232,300 | 1,115 | 258,968,000 |
| Korean conflict | 39,615 | 1,351 | 53,512,700 | 40,000 | 1,356 | 54,240,000 | 40,300 | 1,360 | 54,792,000 |
| Peacetime service | 42,470 | 1,688 | 71,702,172 | 46,200 | 1,710 | 79,002,000 | 49,300 | 1,720 | 84,776,000 |
| Pensions, total | 2,039,092 | 853 | 1,739,925,413 | 2,087,580 | 878 | 1,833,813,000 | 2,114,510 | 901 | 1,905,328,000 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Living veterans, total | 1,198,244 | 964 | 1,154,580,713 | 1,192,790 | 1,003 | 1,196,775,000 | 1,172,680 | 1,039 | 1,218,454,000 |
| Indian wars | 22 | 1,684 | 37,055 | 15 | 1,467 | 22,000 | 10 | 1,600 | 16,000 |
| Spanish-American War | 18,579 | 1,281 | 23,793,409 | 15,600 | 1,301 | 20,293,000 | 12,800 | 1,320 | 16,901,000 |
| World War I | 1,008,900 | 942 | 950,506,871 | 980,800 | 973 | 953,872,000 | 937,400 | 1,000 | 937,726,000 |
| World War II | 159,091 | 1,055 | 167,772,700 | 182,800 | 1,132 | 206,914,000 | 206,800 | 1,185 | 245,054,000 |
| Korean conflict | 11,473 | 1,084 | 12,438,068 | 13,400 | 1,167 | 15,640,000 | 15,500 | 1,208 | 18,725,000 |
| Peacetime service | 179 | 182 | 32,610 | 175 | 194 | 34,000 | 170 | 188 | 32,000 |
| Deceased veterans, total | 840,848 | 696 | 585,344,700 | 894,790 | 712 | 637,038,000 | 941,830 | 729 | 686,874,000 |
| Mexican War | | | [1] (110) | | | | | | |
| Indian wars | 420 | 737 | 309,519 | 360 | 739 | 266,000 | 305 | 738 | 225,000 |
| Civil War | 2,246 | 749 | 1,681,387 | 2,000 | 757 | 1,514,000 | 1,800 | 766 | 1,379,000 |
| Spanish-American War | 66,622 | 776 | 51,667,818 | 63,800 | 786 | 50,147,000 | 61,500 | 786 | 48,339,000 |
| World War I | 496,433 | 619 | 307,154,275 | 517,700 | 635 | 328,709,000 | 526,100 | 646 | 339,918,000 |
| World War II | 253,778 | 811 | 205,757,489 | 285,000 | 819 | 233,525,000 | 321,300 | 839 | 269,589,000 |
| Korean conflict | 21,312 | 881 | 18,765,992 | 25,900 | 883 | 22,871,000 | 30,800 | 890 | 27,419,000 |
| Peacetime service | 37 | 225 | 8,330 | 30 | 200 | 6,000 | 25 | 200 | 5,000 |
| Other, total | | | 60,488,112 | | | 64,906,599 | | | 64,838,000 |
| Retired officers | 1,092 | 2,436 | 2,660,158 | 1,040 | 2,466 | 2,565,000 | 980 | 2,466 | 2,413,000 |
| Adjusted service and dependents pay | [2] | | 956 | [2] | | 1,000 | [2] | | 51,000 |
| Subsistance allowance | 5,441 | 1,380 | 7,507,675 | 5,600 | 1,370 | 7,672,000 | 3,800 | 1,370 | 5,206,000 |
| Burial benefits [3] | 199,084 | | 50,169,202 | [4] 359,400 | | 54,343,599 | [4] 376,400 | | 56,826,000 |
| Special allowance, dependents | 170 | | 127,817 | 200 | | 150,000 | 250 | | 160,000 |
| Invalid lifts [3] | 152 | | 22,304 | 170 | | 25,000 | 220 | | 32,000 |
| Tort claim | | | | [2] | | 150,000 | [2] | | 150,000 |

[1] Credit.
[2] Less than 100.
[3] Figures shown represent fiscal year totals, not averages.
[4] Includes burial flags, previously funded under the General operating expenses appropriation.

Mr. EVINS. The totals for living veterans for which compensation and pension payments are made, you have a breakdown by Spanish-American War, World War I, World War II, Korean conflict, and peacetime service.

Mr. DRIVER. The total cases is 4,472,000. That is a combination of 2.3 million compensation cases and 2.1 million pension cases.

The dollar amounts for that are $4,144,666,000. As a matter of interest, Mr. Evins, in the compensation program for living veterans, the 1,990,000 cases, leaving out the deceased, they are distributed with 41.5 percent, 10-percent cases; 15.7 percent, 20-percent cases; and another 15 percent, 30-percent disabled; and 22 percent between 40- and 90-percent disabled; with 5.4 percent, 100-percent disabled.

Mr. EVINS. That is very interesting. Page 3–2 shows the legislative changes in 1964. There are several new laws passed by Congress. The table on 3–3 shows the increases.

The average payment per case is going up and the numbers of cases are going up.

Spanish-American War veteran claims are decreasing rapidly. In World War I there is some decline. World War II is still increasing.

How about the peacetime service?

Mr. STRATTON. They are increasing, Mr. Chairman.

Mr. EVINS. Give us the figures on that.

Mr. STRATTON. In the living peacetime cases at the top, under compensation it shows 140,000——

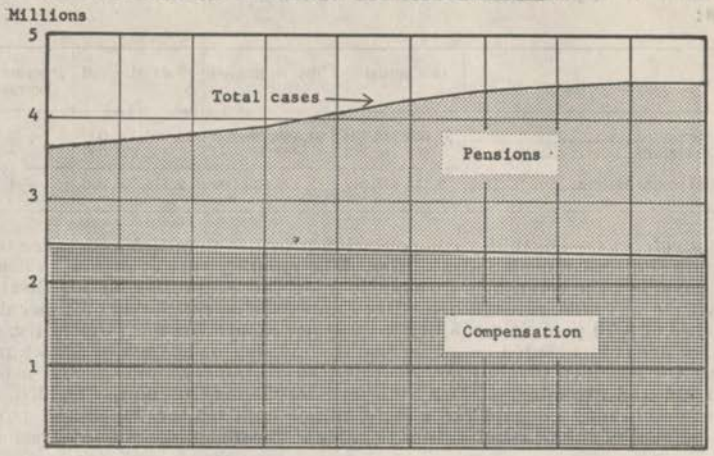
Mr. EVINS. Which table are you referring to?

Mr. STRATTON. I am now on 3–4. It goes from 140,000 to 152,000 to 164,000.

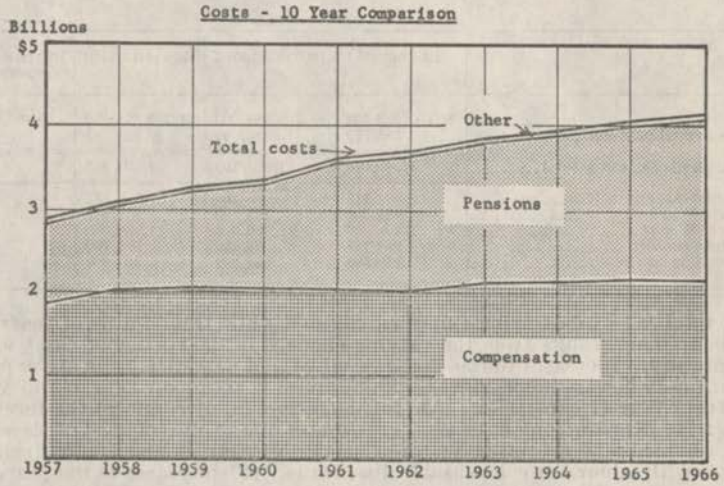
Mr. EVINS. Pages 3–5 and 3–6 will appear in the record at this point.

(The pages follow.)

Average Number of Cases - 10 Year Comparison




Costs - 10 Year Comparison




COMPENSATION

Compensation is a monetary benefit payable to a veteran or his dependent because of the veteran's service-connected disability or death. It is categorized as follows: (1) disability compensation which is available to living veterans, and (2) death compensation and dependency and indemnity compensation which

**is available to dependents of deceased veterans. Estimates of cost are as follows:**

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Living veterans | $1,695,836,524 | $1,709,764,000 | $1,712,476,000 | +$2,712,000 |
| Deceased veterans | 461,780,793 | 462,939,000 | 462,024,000 | −915,000 |
| Total compensation | 2,157,617,317 | 2,172,703,000 | 2,174,500,000 | +1,797,000 |

*Living veterans.*—Disability compensation provides financial assistance to veterans with service-connected disabilities. The monthly rate of disability compensation payable to a veteran is dependent upon the evaluation of his disability. For wartime veterans, rates of disability compensation range from $20 per month in the case of a 10 percent disability to $250 per month for total disability. Certain cases are compensated as prescribed by law to a maximum of $725 a month per case, for specified disabilities, such as loss of limbs, blindness, and need for regular aid and attendance. If a veteran is 50 percent or more disabled, additional amounts may be paid for a wife, minor children, or dependent parents. Eighty percent of the wartime rate is payable if the disability is due to peacetime service.

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Total costs | $1,695,836,524 | $1,709,764,000 | $1,712,476,000 | +$2,712,000 |
| Average annual payment per case | $851.79 | $857.41 | $858.61 | +$1.20 |
| Average number of cases, total | 1,990,915 | 1,994,100 | 1,994,485 | +385 |
| Spanish-American War | 113 | 100 | 85 | −15 |
| World War I | 133,201 | 125,100 | 117,000 | −8,100 |
| World War II | 1,498,309 | 1,493,000 | 1,486,000 | −7,000 |
| Korean conflict | 218,787 | 223,100 | 226,600 | +3,500 |
| Peacetime service | 140,505 | 152,800 | 164,800 | +12,000 |

The total caseload of living veterans reflects a static trend for fiscal years 1965 and 1966. This results from the varying changes to the classes of cases within this category. Increases to the Korean conflict and peacetime rolls are expected to continue, whereas, a continual declining trend is anticipated for World War I and World War II categories. The following factors attribute to the foregoing trends: (1) Korean conflict cases will increase due to the number of these veterans who are now accepting length of service discharges and are returning to civil life with minor but compensable disabilities; (2) increases to the peacetime roll are attributable to the current strength of the Armed Forces and the present rate of disability separations; (3) decreases to the World War I and World War II categories are due to rising number of deaths as these veterans become older; and (4) the nominal movement of the older veterans to the pension rolls in order to obtain the higher benefit. The average annual payment increased in 1964 and is expected to rise again in the ensuing years because of (1) an increasing number of beneficiaries per case, (2) an increase in the veteran's average degree of impairment, and (3) the effects of Public Law 88–450 which liberalized certain criteria affecting rates of certain aid and attendance hospitalized cases. Additional data of interest relative to caseload and costs are contained in part 4, special analysis section, pages 4–5.

*Deceased veterans.*—Dependency and indemnity compensation provides financial assistance to the widows, children, and dependent parents of veterans whose deaths occurred in service or were related to service. The monthly rate payable to a widow is based on 12 percent of the deceased serviceman's basic pay plus a $120 fixed amount. Additional amounts may be payable to the widow for children under 18 years of age. Where there is no widow, benefits in fixed

monthly amounts are payable for minor children. Parents of a deceased veteran, whose death was due to service, may be entitled to dependency and indemnity compensation, the amount of which is dependent on the amount of annual income, marital status, and whether one or both parents survive.

## Readjustment Benefits

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Education and training: | | | |
| | (a) World War II | 11 | | |
| | (b) Korean-conflict veterans | 33,915 | 8,630 | |
| | (c) Children | 24,805 | 19,346 | 27,526 |
| | Total education and training | 58,731 | 27,976 | 27,526 |
| | 2. Special assistance to disabled veterans: | | | |
| | (a) Vocational rehabilitation | 4,250 | 4,645 | 3,284 |
| | (b) Housing grants | 4,724 | 4,410 | 4,410 |
| | (c) Automobiles or other conveyances for disabled veterans | 1,288 | 1,280 | 1,280 |
| | Total special assistance to disabled veterans | 10,261 | 10,335 | 8,974 |
| | Total program costs funded | 68,993 | 38,311 | 36,500 |
| | Change in selected resources [1] | −30 | | |
| 10 | Total obligations | 68,963 | 38,311 | 36,500 |
| | Financing: | | | |
| 21 | Unobligated balance available, start of year | −1,674 | −1,211 | |
| 24 | Unobligated balance available, end of year | 1,211 | | |
| | New obligational authority (appropriation) | 68,500 | 37,100 | 36,500 |
| | New obligational authority: | | | |
| 40 | Appropriation | 67,000 | 37,100 | 36,500 |
| 42 | Transferred from Veterans Insurance and Indemnities (78 Stat. 661) | 1,500 | | |
| 43 | Appropriation (adjusted) | 68,500 | 37,100 | 36,500 |
| | Relation of obligations to expenditures: | | | |
| 71 | Total obligations (affecting expenditures) | 68,963 | 38,311 | 36,500 |
| 72 | Obligated balance, start of year | 858 | 823 | 823 |
| 74 | Obligated balance, end of year | −823 | −823 | −823 |
| 90 | Expenditures | 68,998 | 38,311 | 36,500 |

[1] Selected resources as of June 30 are as follows:

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Accounts receivable | 518 | 356 | 356 | 356 |
| Unpaid authorizations | 566 | 699 | 699 | 699 |
| Total selected resources | 1,085 | 1,055 | 1,055 | 1,055 |

Mr. Evins. Under the appropriation for readjustment benefits you are requesting $36.5 million for 1965 and you have supplemental pending for $8.8 million for 1965.

Insert justification pages 3–13 through 3–19 in the record.

(The pages follow:)

READJUSTMENT BENEFITS

This appropriation provides education and training allowances for veterans of the Korean conflict; educational assistance allowances for eligibles under the War Orphans' Educational Assistance Act of 1956, as amended; and special assistance to disabled veterans in the form of vocational rehabilitation, housing grants, and automobiles or other conveyances.

Nearly 11 million veterans of the 20 million servicemen discharged since World War II, have received educational benefits under the veterans' education and rehabilitation laws.

These educational benefits have assisted our veterans in many ways and opened new doors of opportunity to them and their dependents. Our country, also, has benefited in terms of greater manpower skills and competence, increased earning power, greater tax returns, and an increase in the gross national product.

During fiscal year 1964, 6,000 Korean conflict veterans entered readjustment training, bringing the total to 2,387,000 who have trained under this program; 10,000 orphans entered training, making the total thus far 66,200; and 7,700 veterans entered vocational rehabilitation training for the first time, bringing the total in this category up to 697,400.

The graphs on page 3–14 reflect a 10-year comparison of the average number of trainees and costs associable thereto. For additional 10-year comparisons in more detail, refer to part 4, special analyses, page 4–14.

APPROPRIATION LANGUAGE

For the payment of benefits to or on behalf of veterans as authorized by part VIII, Veterans Regulation No. 1(a), as saved from repeal by section 12(a), of the act of September 2, 1958 (72 Stat. 1264), and chapters 21, 33, 35, 37, and 39 of title 38, United States Code, and for supplies, equipment, and tuition authorized by chapter 31 of title 38, United States Code, $36,500,000 to remain available until expended.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Education and training | $58,731,499 | $36,775,948 | $27,526,000 | −$9,249,948 |
| Loan guarantee | 320 | | | |
| Special assistance to disabled veterans | 10,260,987 | 10,335,000 | 8,974,000 | −1,361,000 |
| Total cost | 68,992,806 | 47,110,948 | 36,500,000 | −10,610,948 |
| Costs financed from obligations of other years, net (−) | −29,745 | | | |
| Total obligations | 68,963,061 | 47,110,948 | 36,500,000 | −10,610,948 |
| Unobligated balance brought forward | −1,674,009 | −1,210,948 | | +1,210,948 |
| Unobligated balance carried forward | 1,210,948 | | | |
| New obligational authority | 68,500,000 | 45,900,000 | 36,500,000 | −9,400,000 |
| Transfer in from veterans' insurance and indemnities | −1,500,000 | | | |
| Appropriation | 67,000,000 | [1] 45,900,000 | 36,500,000 | −9,400,000 |

[1] Includes proposed supplemental of $8,800,000.

*World War II.*—Activity in 1965 and 1966 will be negligible. Practically all entitlement has expired for this group of veterans. In 1964 there was an average of only six veterans in training. Expenditures for subsistence allowance, tuition, supplies, equipment, settlement of old claims and miscellaneous adjustments amounted to $11,085.

*Korean Conflict.*—Chapter 33 of title 38, as amended, authorizes readjustment training and education for the purpose of providing vocational readjustment and restoring lost educational opportunities to veterans of the Korean conflict whose vocational plans were interrupted or impeded by active service in the Armed Forces. This activity will decline as eligibility expires, until the program terminates January 31, 1965.

Actual and estimated requirements in this activity are as follows:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average number of trainees: | | | | |
| Higher learning | 16,982 | 4,860 | | −4,860 |
| Below college | 5,671 | 1,690 | | −1,690 |
| Correspondence | 2,461 | 620 | | −620 |
| Institutional-on-farm | 213 | 70 | | −70 |
| Job training | 193 | 60 | | −60 |
| Total | 25,520 | 7,300 | (1) | −7,300 |
| Average cost per trainee | $1,329 | $1,427 | | −$1,427 |
| Total cost (Korean) | $33,915,221 | $10,415,948 | (1) | −$10,415,948 |

[1] Program terminated Jan. 31, 1965.

*Sons and daughters.*—Chapter 35 of title 38, as amended, provides opportunities for education to sons and daughters whose education would otherwise be impeded or interrupted by reason of disability or death of the veterans. The objective is to aid these young people in attaining the educational status which they normally might have aspired to and obtained but for the disability or death of such veteran parent. The effect of Public Law 88-361, which provides educational benefits to sons and daughters of permanently and totally disabled veterans having a service-connected disability, is considered in this category.

Actual and estimated requirements for this allowance as shown on page 3-17.

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average number of trainees: | | | | |
| Orphans | 15,543 | 15,000 | 14,500 | −500 |
| Sons and daughters of permanently and totally disabled veterans | | 1,400 | 2,600 | +1,200 |
| Total | 15,543 | 16,400 | 17,100 | +700 |
| Average cost per trainee | $1,596 | $1,607 | $1,610 | +$3 |
| Total cost | $24,805,193 | $26,360,000 | $27,526,000 | +$1,166,000 |
| Total cost—Education and training | $58,731,499 | $36,775,948 | $27,526,000 | −$9,249,948 |

SPECIAL ASSISTANCE TO DISABLED VETERANS

*Vocational rehabilitation.*—Chapter 31 of title 38, as amended, authorizes vocational rehabilitation to eligible veterans with a service-connected disability. The purpose is to restore employability, to the extent consistent with the degree of disability, and to help the veteran capitalize on his potential capacities, abilities, interests, and personality traits.

The average number of veterans in training will decline gradually due to completion of training or expiration of benefits. A moderate increase in average cost is projected in line with established annual trends of increased costs for tuition, supplies and equipment.

Actual and estimated requirements for this benefit are shown on page 3–18.

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average number of trainees: | | | | |
| Higher learning | 1,569 | 1,450 | 980 | −470 |
| Below college | 3,320 | 3,530 | 2,390 | −1,140 |
| Institutional-on-farm | 138 | 120 | 90 | −30 |
| Job training | 414 | 500 | 340 | −160 |
| Total | 5,441 | 5,600 | 3,800 | −1,800 |
| Tuition: | | | | |
| Average number (excluding job trainees) | 5,027 | 5,100 | 3,460 | −1,640 |
| Average cost | $718 | $774 | $806 | +$32 |
| Total cost | $3,608,404 | $3,945,000 | $2,790,000 | −$1,155,000 |
| Supplies and equipment: | | | | |
| Average number | 5,441 | 5,600 | 3,800 | −1,800 |
| Average cost | $118 | $125 | $130 | +$5 |
| Total cost | $641,229 | $700,000 | $494,000 | −$206,000 |
| Total cost, vocational rehabilitation | $4,249,633 | $4,645,000 | $3,284,000 | −$1,361,000 |

*Housing grants.*—Chapter 21 of title 38, as amended, authorizes financial assistance grants up to $10,000 each, for specially adapted housing to veterans having suffered the loss of, or loss of use of, both feet, to paraplegic veterans and to certain blind veterans.

About 7,800 grants have been made through 1964. It is anticipated that this activity will remain fairly constant, around 450 grants per year, for several years to come. As grants are made and the veteran uses his entitlement, a new group becomes eligible, due to worsening of disabilities, so the potential number of eligibles remain about the same.

Actual and estimated requirements for this benefit are as follows:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Number of grants | 492 | 450 | 450 | ---------- |
| Average cost | $9,601 | $9,800 | $9,800 | ---------- |
| Total cost | $4,723,825 | $4,410,000 | $4,410,000 | ---------- |

*Automobiles.*—Chapter 39 of title 38, as amended, authorizes a one-time benefit payment of not more than $1,600 toward the purchase of an automobile or other conveyance for veterans of World War II and the Korean conflict, who are entitled to compensation for the service-connected loss or loss of use of one or both hands, one or both feet, or for permanent, severe impairment of vision of both eyes.

Since the law was first approved in 1946, over 48,000 disabled veterans have been assisted in the purchase of an automobile or other conveyance. It is anticipated that this activity also will remain fairly constant, representing about 800 vehicles per year, for some time to come. Here again, as a veteran uses up his

entitlement, a new group becomes eligible and the potential number remains about the same.

Actual and estimated requirements for this benefit are as follows:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Number | 807 | 800 | 800 | |
| Average cost | $1,595 | $1,600 | $1,600 | |
| Total cost | $1,287,529 | $1,280,000 | $1,280,000 | |
| Total cost, special assistance to disabled veterans | $10,260,987 | $10,335,000 | $8,974,000 | −$1,361,000 |

Mr. EVINS. Nearly 11 million veterans of the 20 million servicemen discharged since World War II have received educational benefits under the veterans education and rehabilitation laws.

During fiscal year 1964, 6,000 Korean conflict veterans entered readjustment training, bringing the total of 2,387,000 who have trained under this program; 10,000 orphans entered training, making the total thus far 66,200; and 7,700 veterans entered vocational rehabilitation training for the first time, bringing the total in this category up to 697,400.

You are asking $36,500,000, and this is down from last year?

Mr. MONK. It is down $9,400,000, including the supplemental we are up here for.

Mr. EVINS. How much supplemental?

Mr. MONK. $8,800,000.

Mr. EVINS. Education and training is estimated to be $27,526,000, and special assistance to disabled veterans, $8,974,000, making it $36,500,000.

The chart on page 3–16 shows the average number of trainees and the phasing out of the program. You expect to have 620 taking correspondence courses, 1,690 below college and 4,860 in college, on farm, and others, making a total of 7,500 trainees.

Mr. MONK. 7,500. This program terminated January 31, 1965, as you know, so there is no estimate in here for 1966.

Mr. EVINS. Why did you need the $36.5 million, plus your $8 million supplemental?

Mr. DRIVER. War orphans, sir.

Mr. EVINS. War orphans?

Mr. DRIVER. Yes, sir; on page 3–17.

Mr. MONK. Plus the housing and cars for the disabled.

Mr. EVINS. And 8,000 grants for housing made through 1964. Not more than $1,600 goes to the purchase of an automobile for veterans of World War II or the Korean conflict. How much has been expended under this program of automobile grants?

Mr. MONK. 48,000 participants, and $1,600 each was the maximum.

## LOAN GUARANTEE—OPERATING EXPENSES

Mr. EVINS. Turn to loan guarantee on page 2–36. We will insert that page along with 2–37 an the workload on 2–39.

(The pages follow:)

### LOAN GUARANTEE

The VA is authorized to guarantee or insure loans made by private lending institutions to veterans for homes, farms, and businesses; makes loans directly to veterans in certain areas where guaranteed or insured home loans are not available from private lending sources; and make grants to paraplegic veterans for specialIly adapted housing. The activities of the GI and direct loan program are carried on both in central office and the loan guarantee divisions in the regional offices.

*Highlights*

During 1964 total program workload continued at a high level. From approximately 233,000 loan applications, more than 199,000 home, farm, and business loans amounting to $2.95 billion were guaranteed or insured.

The upward trend in the number of acquired properties on hand was halted in fiscal year 1964 through an aggressive sales program. More than 30,500 properties were sold during fiscal year 1964 and the inventory of properties which had been acquired was reduced from 23,783 at the beginning of the fiscal year to 20,266 as of June 30,1964. There were 27,087 properties acquired during 1964. This was an increase of only 1,844 acquisitions compared to an increase of 4,078 during the previous year.

Over 24,200 claims from lenders under the terms of the guarantee or insurance provision were settled.

Vendee accounts sold to private investors during 1964 totaled 18,618 and amounted to $211.3 million.

Direct loan applications received during 1964 totaled 26,406.

There were 17,996 direct loans made during 1964 bringing the cumulative total to 245,065.

Direct loans sold to private investors during 1964 totaled 12,753 and amounted to $133.5 million.

The summary of requirements on page 2–37 reflect detailed information by object with respect to staff and field requirements for fiscal year 1966:

*Summary of requirements*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Departmental | 74 | 80 | 80 | ---------- |
| Field | 2,752 | 2,718 | 2,641 | −77 |
| Total | 2,826 | 2,798 | 2,721 | −77 |
| Costs: | | | | |
| Personnel compensation | $19,475,115 | $20,751,000 | $20,300,000 | −$451,000 |
| Personnel benefits | 1,466,337 | 1,602,000 | 1,574,000 | −28,000 |
| Total, personal services and benefits | 20,941,452 | 22,353,000 | 21,874,000 | −479,000 |
| Travel and transportation of persons | 484,224 | 490,000 | 485,000 | −5,000 |
| Other services | 892,414 | 925,000 | 925,000 | ---------- |
| Total costs | 22,318,090 | 23,768,000 | 23,284,000 | −484,000 |

The loan guarantee housing activities are carried on by departmental and field staffs. The distribution of employment is summarized below:

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Departmental: | | | | |
| Office of Director | 2 | 3 | 3 | |
| Deputy director | 2 | 8 | 8 | |
| Construction and valuation | 9 | 10 | 10 | |
| Loan policy | 10 | 11 | 11 | |
| Liquidation | 14 | 12 | 12 | |
| Property management | 7 | 9 | 9 | |
| Administrative | 30 | 27 | 27 | |
| Total | 74 | 80 | 80 | |
| Field: | | | | |
| Office of loan guarantee officer | 214 | 211 | 201 | −10 |
| Construction and valuation | 562 | 505 | 463 | −42 |
| Loan processing | 524 | 488 | 433 | −55 |
| Loan service and claims | 879 | 921 | 945 | +24 |
| Property management | 573 | 593 | 599 | +6 |
| Total | 2,752 | 2,718 | 2,641 | −77 |

The table on page 2–38 shows, by grade, the staffing requirements of central office and field station activities of the loan guarantee program.

Determination of functional employment requirements for field station operations during 1965 and 1966 is based on the application of validated workrate time values to workload. Employment levels of 2,718 and 2,641 will be required for field station operations during fiscal years 1965 and 1966, respectively. The decline in employment is attributable to greater productivity and maximum utilization of employees within program activities.

*Workloads*

Estimated total weighted workload (standard man-hours) will continue to be at a high level for 1966. The composition of the program, in the aggregate, is not the same kind of an operation that was carried on several years ago, as indicated by the chart on page 2–40. Formerly the workload consisted of about one-half of new loan originations and the other half in liquidation activity. Now the makeup of the program, from the standpoint of workload, has shifted from a loan benefit program to a liquidation and salvage operation. The following are major workload volumes which reflect the shifting of emphasis from a loan origination activity to the discharging of expanding responsibilities in the management of loans owned by the Veterans' Administration and the supplemental servicing and disposition of claims by lenders arising from the guarantee or insurance of loans in prior years.

*Summary of major workloads*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| New loan activity: | | | | |
| Appraisal requests received (units) | 328,076 | 314,700 | 287,000 | −27,000 |
| GI loan appraisal requests | 307,801 | 300,000 | 275,000 | −25,000 |
| Direct loan appraisal requests | 20,275 | 14,700 | 12,700 | −2,000 |
| GI loan applications received | 206,600 | 203,000 | 180,000 | −23,000 |
| Direct loan applications received | 26,406 | 20,800 | 17,700 | −3,100 |
| Direct loans sold and guaranteed | 12,753 | 7,800 | 7,200 | −600 |
| GI loans closed | 186,403 | 185,000 | 170,000 | −15,000 |
| Direct loans closed and fully disbursed | 17,996 | 14,000 | 10,200 | −3,800 |
| Management and liquidation activity: | | | | |
| Defaults reported on GI loans | 111,599 | 112,500 | 115,000 | +2,500 |
| GI claims vouchered for payment | 24,219 | 24,500 | 24,000 | −500 |
| Average number of loans owned | 216,086 | 214,996 | 206,185 | −8,811 |
| Property acquisitions | 27,087 | 29,272 | 28,371 | −901 |
| Properties sold | 30,502 | 29,000 | 30,200 | +1,200 |
| Properties on hand—end of year | 20,266 | 20,538 | 18,709 | −1,829 |

LOAN GUARANTEE PROGRAM

Mr. EVINS. The upward trend in the number of properties on hand was halted through 1964 and through an aggressive sales program. More than 30,500 properties were sold during 1964 and the inventory of properties which had been acquired was reduced from 23,783 to 20,266. There were 27,087 properties acquired in 1964. There was an increase of only 1,844 acquisitions.

Over 24,200 claims from lenders under the terms of the guarantee or insurance provision were settled.

Direct loan applications received during 1964 totaled 26,406. There were 17,996 direct loans made.

This is very interesting, this table on page 2–37. It shows the costs, departmental and field; the costs are down.

GUARANTEED LOANS MADE

Mr. GIAIMO. Do I understand in 1964 there were more than 199,000 loans and guarantees in all made?

Mr. DERVAN. 199,000 is correct, sir. The total amount was roughly $2.9 billion.

Mr. GIAIMO. How does that compare with the previous years; up or down?

Mr. DERVAN. The long-term trend is down, due to the fact that veterans' entitlement is phasing out. Each year so many veterans of World War II have their entitlement terminated, and this is also occurring for veterans of the Korean conflict.

Mr. GIAIMO. Do you have any sort of chart in the estimates which shows the trend from year to year?

Mr. DERVAN. We do not have a long-term-trend chart in the book.

Mr. GIAIMO. The total loan applications and guarantees in the years prior to 1964, do you have that?

Mr. DRIVER. On page 2–39 you see the workload figures going down from 1964 through 1965 and 1966, in each category.

Mr. DERVAN. I have some figures here I can read into the record.

Loan applications in fiscal year 1964 were 206,000; 1963, 215,000; fiscal 1962, 196,000; fiscal 1961, 135,000; and fiscal 1960, 181,000.

It has to be borne in mind here, sir, that these figures will change, depending upon the condition of the money market. If you have a tight money market, applications are down. If mortgage money is plentiful our applications tend to be up.

Mr. GIAIMO. Do the figures you just indicated show an increase in loan applications?

Mr. DERVAN. It is down for 1965, and we are projecting a decrease, again, for 1966.

Mr. GIAIMO. From 1960 to 1964 there is an increase.

Mr. DERVAN. This is basically because of the fact that prior to 1961 there was a tight-money market and there was not much activity in the GI loan program. Beginning in 1961 the money market improved, and since that time has gone up somewhat, but now that entitlement is terminating it will go down from here on out.

Mr. DRIVER. Congressman, here is a picture from 1945 through 1964 of the applications, and you can see the fluctuation there.

Mr. GIAIMO. What is that high point?

Mr. DRIVER. This is 1955. The previous high point was in 1947.
Mr. GIAIMO. Thank you, Mr. Chairman.

LOAN GUARANTEE DATA

Mr. EVINS. Mr. Reporter, we will place in the record pages 2–42, 2–43, and the top of 2–44.
(The information follows:)

*New loan activity*

Loan organization activities continue to be an important part of operations Basic factors, augur against any likelihood, that the trend of appraisal requests, loan applications, and loans closed will move upward. The majority of World War II veterans have passed the home-buying stage of their lives. Moreover, the gradual phasing out of the entitlement of World War II veterans will reduce the number of such veterans eligible for loan benefits. In all probability, there will be no further increase in the volume of loans made to veterans of the Korean conflict since their entitlement to loan benefits will begin to expire on January 31, 1965.

The influence of veterans' entitlement on new-loan activity is portrayed in the following table:

*Number of loans guaranteed or insured by use of entitlement (excludes direct loans sold and guaranteed after January 1, 1963)*

| Fiscal year | Total number | Based on World War II entitlement | Based on Korean conflict entitlement | Percent Korean conflict |
|---|---|---|---|---|
| 1960 | 178,605 | 79,706 | 98,899 | 55.4 |
| 1961 | 125,777 | 54,391 | 71,386 | 56.7 |
| 1962 | 166,008 | 63,094 | 102,914 | 62.0 |
| 1963 | 189,927 | 66,254 | 123,673 | 65.1 |
| 1964 | 186,671 | 55,938 | 130,733 | 70.0 |

About 39 percent of the eligible World War II veterans have made use of the VA loan program. There will be a considerable number of World War II veterans, who had long periods of service, who will continue to be eligible for loan benefits until July 25, 1967. So far, only 22 percent of Korean conflict veterans have made use of their entitlement. Many of these veterans are still in the homebuying stages of their lives. It is likely, therefore, that any declines in total loan volume in fiscal years 1965 and 1966 will be moderate.

*Management and liquidation activity*

The trend of major workload items, associated with the liquidation and salvage activities of the loan guarantee program, such as, settlement of claims and acquisition and disposition of residential properties reflect a continuing increase.

The following table shows the trend in defaults reported and claims paid during the last 5 years and estimates for fiscal years 1965 and 1966:

*Defaults and claims*

| Fiscal year | Defaults reported | Loans in default end of year | Defaults disposed of— | | | Claims paid |
|---|---|---|---|---|---|---|
| | | | Total | Cured or withdrawn | | |
| | | | | Number | Percent | |
| 1960 | 89,776 | 45,488 | 89,981 | 79,431 | 88.3 | 10,550 |
| 1961 | 110,259 | 53,889 | 101,858 | 88,746 | 87.1 | 13,112 |
| 1962 | 107,192 | 55,534 | 105,547 | 86,107 | 81.9 | 19,440 |
| 1963 | 107,935 | 55,445 | 108,024 | 85,084 | 78.5 | 22,940 |
| 1964 | 111,599 | 54,432 | 112,612 | 88,393 | 78.5 | 24,219 |
| 1965 | 112,500 | 54,032 | 112,900 | 88,400 | 78.3 | 24,500 |
| 1966 | 115,000 | 53,032 | 116,000 | 92,000 | 79.3 | 24,000 |

From the inception of the loan guarantee program through June 30, 1964, lenders have reported 1,317,764 defaults on GI home, farm, and business loans. However, many of these have been cured and the payment of claims averted by arranging with the veteran to pay the delinquency by modifying the terms of repayment, or by arranging for the disposition of the property without a claim payment. The most rapid increase in foreclosures occurred in fiscal year 1962, reflecting the results of the 1960–61 recession. Since fiscal year 1962, the rate of increase has declined. Although there has been a general increase in foreclosure rates throughout the country, it has been moderate, except in relatively few areas where local economic conditions, such as curtailment of local industry, closing of military installations, population movements, etc., have resulted in concentrations of defaults and claims.

Trends in property management activities for the past several years and estimates for fiscal years are as follows:

*Properties acquired, sold, and on hand*

| Fiscal year | Properties on hand beginning of year | Acquired during year | Sold during year | Redeemed during year | On hand end of year |
|---|---|---|---|---|---|
| 1960 | 5,749 | 10,965 | 10,229 | 88 | 6,397 |
| 1961 | 6,397 | 14,601 | 9,962 | 69 | 10,967 |
| 1962 | 10,967 | 21,165 | 13,974 | 113 | 18,045 |
| 1963 | 18,045 | 25,243 | 19,387 | 118 | 23,783 |
| 1964 | 23,783 | 27,087 | 30,502 | 102 | 20,266 |
| 1965 | 20,266 | 29,272 | 29,000 | ---------- | 20,538 |
| 1966 | 20,538 | 28,371 | 30,200 | ---------- | 18,709 |

The number of properties acquired reflect an increasing number of reacquisitions of properties sold with VA financing. Thus, in fiscal year 1964, there were 22,744 properties acquired as a result of the payment of claims on the original mortgage and 1,078 properties acquired as a result of defaulted direct loans. At the same time, 3,220 properties were reacquired as a result of defaults, on mortgages held by VA on properties sold and there were 45 properties acquired as a result of the foreclosure of loans previously acquired by VA. An increase of 1,714 property acquisitions is estimated for 1966. This compares to an increase of 3,410 during 1965, which was unusually high because of the large number of properties pending acquisition at the end of the prior fiscal year.

The upward surge in the sale of VA-owned properties during fiscal year 1964 was the result of an aggressive sales campaign. Extensive advertising coupled with stimulated interest of real estate brokers contributed to the sale of over 30,000 properties during 1964, representing an asset value of over $334.2 million. This effort will be continued through fiscal years 1965 and 1966.

LOAN GUARANTEE REVOLVING FUND LANGUAGE

Mr. EVINS. Mr. Chairman, I notice that there are some major changes proposed in loan guarantee language in the appropriation act.

Mr. THOMAS. Explain this language to us. You have a complicated set up. You have two separate and distinct funds. You want to actually take the limitation of $380 million off the loan guarantee fund. What is the status of it, now?

Mr. MONK. We want to take the limitation off the expenditure.

Mr. THOMAS. That is your back door expenditure where you go to the Treasury. The other fund is the one you always make money on.

Mr. MONK. What this language proposes would give us authority to transfer from the direct loan fund to the loan guarantee revolving fund.

Mr. THOMAS. How much money is in that fund, now?

Mr. DERVAN. The direct loan fund is the real moneymaker. Since the beginning of the direct loan program, Mr. Chairman, in 1950, the cumulative net earnings in that program through June 30——

Mr. THOMAS. How about the loan guarantee fund?

Mr. DERVAN. The loan guarantee fund, through June 30, sir, had a cumulative loss of $41 million against $139 million in retained earnings in the direct loan fund.

Mr. THOMAS. Why take the limitation off?

Mr. DERVAN. Last year, sir, and in prior years when expenditures were more than we anticipated, we ran into a problem of not being able to pay claims submitted to us by private lenders because we had reached the limitation. As a consequence——

Mr. THOMAS. What is the status of it now? You are in the clear now, aren't you?

Mr. MONK. It looks like we are in the clear.

Mr. DERVAN. Yes, sir; this year we are in the clear.

DIRECT LOAN FUND INTEREST

Mr. THOMAS. What interest do you get out of the direct loan fund, and what are you paying to the Treasury?

Mr. ECHOLS. Mr. Chairman, the average rate of interest that we receive on the outstanding direct loans is 5 percent. We are paying the Treasury interest on money borrowed from the Treasury at an average rate of 3.5 percent.

Mr. THOMAS. What do you charge on that?

Mr. ECHOLS. On loans currently made, 5¼ percent.

Mr. DERVAN. Which is the same rate, Mr. Chairman, as a veteran obtaining a loan from a private lender under the guarantee program.

FORECLOSURES

Mr. THOMAS. Give us a little quick rundown on your foreclosures, both in your direct loans and your loan guarantee fund. What is the picture? How many properties do you have on hand?

Mr. DERVAN. I think I can summarize it.

Since the beginning of the loan guarantee program, sir, the total number of claims which we have had to pay represents about 2.3 percent of the total number of home loans where we have issued guarantees or insurance.

In the direct loan program, sir, the number of foreclosures in connection with the direct loans made represents about 1.8 percent.

Mr. THOMAS. How many properties do you have on hand, now?

Mr. DERVAN. We have less than 19,000 on hand right now, Mr. Chairman, and this represents——

Mr. THOMAS. Less than 19,000?

Mr. DERVAN. Yes, sir.

Mr. THOMAS. How many more could you have?

Mr. DERVAN. We came into the fiscal year 1964, sir, with a peak of nearly 24,000, so we have reduced substantially——

PROPERTY MANAGEMENT—LOSS PER PROPERTY

Mr. THOMAS. What is your average loss per single family unit?

Mr. DERVAN. In the loan guarantee program, sir, it worked out in fiscal year 1964 to $1,887, which includes a claim payment to the holder of the foreclosed mortgage of $836.

Mr. THOMAS. That is not your total loss of $1,800.

The FHA has a total loss of what; $2,900, wasn't it?

Mr. DERVAN. I think that the FHA, sir, includes in its property loss computation the amount of interest it anticipates it will have to pay on the debentures issued to the holder.

Mr. THOMAS. Why don't you make the same calculation? You are going to have to pay it, aren't you?

Mr. DERVAN. No, sir; we don't pay interest, we pay cash whereas the FHA issues debentures.

Mr. THOMAS. Don't you go to the Treasury and get it?

Mr. DERVAN. Right now, sir, we have been obtaining it, mostly, from the proceeds of our sales of loans. But if we did allow comparable amounts, sir, it would put our loss to about 2,200 or 2,300.

PROPERTY SALES

Mr. THOMAS. How are sales comparing with foreclosures?

Mr. DERVAN. Of properties, Mr. Chairman?

Mr. THOMAS. Yes.

Mr. DERVAN. Sales are exceeding acquisitions.

Mr. THOMAS. By how much; 5, 10, 15 percent? Give us some figures.

How many did you take in the first 6 months of the fiscal year and how many did you sell. Give us some recent information.

Mr. DERVAN. I have that, Mr. Chairman.

During the first half of this fiscal year, Mr. Chairman, we acquired about 13,500 properties and we sold about 15,300—I am sorry; let me correct that, Mr. Chairman.

We acquired during the first half 15,300, and we sold 16,600.

Mr. THOMAS. Well, you have a little plus, there.

When you foreclose mortgages and acquire property, how do you sell them? Do you sell them individually or in big lots or small lots?

Mr. DERVAN. Virtually all of the sales, Mr. Chairman, are on an individual basis, and we conduct the sales through private, local real estate people.

Mr. THOMAS. You don't go to the big mortgage companies, the big banks, the big trust companies and sell to them?

Mr. DERVAN. We have not found that to be necessary. There have been some small bulk sales of 5, 10, 15——

Mr. THOMAS. Would that expedite your sales? I understand there is a lot of mortgage money floating around now in the trust companies and in the banks.

Mr. DERVAN. We find we can get a better price on an individual sale basis.

AVERAGE AGE OF PROPERTY INVENTORY

Mr. THOMAS. What about the overhead and the length of time you hold these properties—what is the average length of time you hold these properties?

Mr. DERVAN. During the past fiscal year, Mr. Chairman, we moved our inventory in eight and a half months, which represents an improvement from nine and a half months in fiscal year 1963.

COST OF SELLING PROPERTIES

Mr. THOMAS. What is the administrative cost? Can you break it down on the sale of individual properties? Can you break it down into anything like that?

Mr. DERVAN. We don't have it broken down. We have averages, sir.

Mr. THOMAS. Give us that. That is close enough. What is your administrative cost, your repair cost, how much money do you spend on them when you take them back? Do you spend as much as $700 or $800.

Mr. DERVAN. Yes; I have the figures, here, Mr. Chairman, based on the analysis——

Mr. THOMAS. I don't see how you hold the loss down to $1,800 if you spend $1,000 rehabilitating them and you have an insured sale. Do you give an insurance policy? That will cost you $75 or $80. Do you give a policy, or is your guarantee the policy? You give the Government guarantee and not a title policy? Do you give a title policy?

Mr. DERVAN. No, sir; but we——

Mr. THOMAS. Is that the reason you don't sell to the big people, insurance companies and trust companies; they demand a title policy?

Mr. DERVAN. I think they probably would, sir, but——

Mr. THOMAS. Well, you know they do. And it cost you about $75, doesn't it?

Mr. JONAS. Would you permit me to ask a question on an allied subject?

Mr. THOMAS. Proceed, Mr. Jonas.

GAO REPORT—HOUSING LOANS IN FLORIDA

Mr. JONAS. Mr. Director, I was concerned with the contents of the report of the GAO dated December 22, 1964, from which I read the opening paragraph of the letter of transmittal:

> The St. Petersburg, Fla., regional office of the VA did not effectively discharge its responsibility to attempt collection of about $7 million owed to the Government as a result of defaults on housing loans made in Florida under the loan guarantee program. We found that initial advice to the debtors of the amounts owed was not attempted for periods up to two years after foreclosure of the mortgages, and then collection letters were usually addressed to the properties which the debtors had vacated years before. The letters were returned undelivered and generally no further efforts were made to locate the debtors.
>
> In addition, in many cases, attempts were made to collect from only one person whereas other persons were also liable for the debt.

Then, quoting further from the letter:

For the 18-month period ended March 31, 1964, St. Petersburg regional office determined that 680 home loan default debts involving about $1 million were uncollectible and the paper was turned over to GAO for collection.

They point out that experience shows collection is very difficult after the lapse of so much time. The report is highly critical of the regional office and, also, the central office for not instituting procedures which would insist and require that immediate action be taken to undertake the collection of these defaults, following foreclosure.

Have you taken any steps to correct that situation since this report came out?

Mr. DRIVER. Yes, sir. I don't know whether it is in the report itself or not, but when this was brought to our attention we discovered that the situation was local; it was confined to St. Petersburg. The directives in this area were explicit, but the application of them by the local office was found to be deficient. We did take corrective steps in this case. We have verified that the regional office, there, has, and we have also renewed our emphasis in terms of the audits by supervisory personnel to make certain that there is no recurrence of this in St. Petersburg or anywhere else. And we have furnished this information to the GAO.

Mr. JONAS. The report says you failed to discover this situation with your own internal audit, and if GAO had not been on the job. we never would have found out about it. What is the matter with your internal audit that it wouldn't have disclosed this situation?

Mr. DRIVER. Not just our internal audit, Mr. Jonas, but the regular supervisory personnel in the supervision of this office did not discover this condition until it was brought to our attention by the GAO report.

As I indicated, the directives were clear and explicit and their failure of application in this case, we could not account for, but we have taken the corrective action, not only here but we have renewed it all over the country.

Mr. JONAS. Who was in charge of this? Who had the responsibility for this laxity?

Mr. DERVAN. There is a division of responsibility, here, sir. The Loan Guarantee Division of the local office is responsible, in part. After vouchering the claim, for reporting to the finance people of the local office, the individual debtors and the amount of their debt, at that point the finance people pick it up and undertake collection activity.

Insofar as Jacksonville is concerned, and the Loan Guarantee Division of that office is concerned, our office was delinquent in that it did not report the names of the people and the amounts of their indebtedness to the finance people as promptly as they should. This has been corrected because as soon as we now get word that a holder of a foreclosed loan intends to convey the property to us, our Loan Guarantee Division gives a preliminary notice to the finance people so that they can undertake preliminary action in respect to collection.

Mr. JONAS. Have you established that this was a—I think you said it was a localized situation?

Mr. DRIVER. Yes, sir.

Mr. JONAS. Have you made a close examination of all other regional offices and affirmatively determined that this laxity does not exist?

Mr. DRIVER. Yes, sir.

Mr. STRATTON. We found some minor variations in the same direction in two other offices, but I must say in regard to the responsibility, both segments mentioned here, the Finance and the Loan Guarantee Service are both in the Department of Veterans' Benefits and, therefore, become my responsibility.

Mr. JONAS. This could become quite important in view of the total amount involved. What is the total amount in default, now, under loan guarantee?

Mr. STRATTON. We had an indebtedness in 1964, of 22,825 cases, and this is the number we wanted to analyze as a result of the St. Petersburg findings.

Mr. JONAS. How much in dollars?

Mr. ECHOLS. Since the beginning of the program, Mr. Jonas, the cumulative amount of money set up amounts to $147 million.

Mr. DRIVER. How much is it now?

Mr. ECHOLS. Currently we are carrying $35 million on the books.

Mr. JONAS. Did you write off the other as uncollectible?

Mr. ECHOLS. No, sir; we have collected about $28 million of it.

Mr. JONAS. You had $147 million from the inception and you collected about $28 million, and you still have $35 million?

Mr. ECHOLS. Yes, sir.

Mr. JONAS. The other you assume is uncollectible.

Mr. DRIVER. The GAO has it for collection, but hasn't collected.

Mr. JONAS. As far as you are concerned, it is written off?

AVERAGE COST PER PROPERTY IMPROVED

Mr. THOMAS. Let me ask one more question, Mr. Evins.

Turn to page 3–46. You have "Average cost per improvement, $250." You don't mean to say you take one of these foreclosed houses—what is the average age of these mortgages when you take them back—and only spend $250 on them, do you? In FHA's experience it costs around $1,000 or $1,100 or $1,200 for this. How do you get by for $250?

Mr. DERVAN. We can't sir.

This item you are looking at has reference to the average cost of a capital improvement. In addition, we have the cost of repairs and maintenance which are not capital improvements, and which are part of the property management.

Mr. THOMAS. How much is that? On 3–47 you say average cost per property is $1,250.

Mr. ECHOLS. On page 3–47 the item is for property expense which shows that the average cost to maintain these properties is in excess of $1,000 per property, per year.

Mr. THOMAS. How long do you keep these average—what is the average time you keep these properties, and what is the administrative cost in getting rid of them, selling them, foreclosing them, keeping them, nursing them, and so forth?

Mr. EVINS. And paying taxes.

Mr. ECHOLS. We turn the inventory over once in every 8½ months.

Mr. THOMAS. You said once every 8 months, but isn't that a little short?

Mr. ECHOLS. That is quite an improvement from last year. The rate was——

Mr. THOMAS. If you lose $1,800 per property, what is this figure of $1,250? What does that mean?

Mr. ECHOLS. That particular figure relates to all of the properties in the inventory, Mr. Chairman.

Mr. THOMAS. That is average cost?

Mr. ECHOLS. Yes, sir. Where the $1,887 figure relates to the properties that were sold during fiscal year 1964.

Mr. THOMAS. Is this the average of your direct and guarantee loan fund?

Mr. ECHOLS. No, this is just the loan guarantee fund.

Mr. THOMAS. Gentlemen, it would appear that you are nursing these properties. You are just about breaking even. You show a disposal over acquisition of less than 10 percent. You better give some consideration to selling these properties in large quantities. Maybe that is going to cost you some money on guaranteed policies and so forth. But by the time you nurse these properties 8 months to a year and a half or 2 years, you had better consider selling these to some of these large companies. We are not suggesting you take any loss, but they are the ones who have the money. You said your experience indicated you got a higher price selling them individually, rather than 40 or 50 or 100 properties in a lot. But by the time you pay your administrative costs, my guess is you are coming out on the short end of the stick.

Gentlemen, we will go to lunch and come back at 1:15.

AFTERNOON SESSION

LOAN GUARANTY REVOLVING FUND LANGUAGE

Mr. EVINS. The committee will come to order.

We will discuss with the Administrator further the loan guarantee revolving fund.

Mr. Monk, we were asking you to explainwhat you are wanting and suggesting in your language in the bill to clarify this for us.

Mr. MONK. This language authorizes the fund and authorizes expenditures from the fund. Last year the language had in it a limitation that we could spent not to exceed $380 million. It also had a proviso that we could transfer not to exceed $200 million from the direct loan fund into this fund. We will transfer that amount of money. This year we are suggesting that the limitation be taken out of the language.

Mr. EVINS. You want to lift the limitation?

Mr. MONK. And that we be given a blanket authority to transfer as and when needed amounts from the direct loan into the loan guaranty revolving fund.

Mr. THOMAS. In other words, if there is no limitation, they can go to the back door of the Treasury and get any amount. They have credit over there and they can take whatever profit they have in the direct loan fund and use as they like. That is your problem.

Mr. MONK. If we do not get the language we have requested then, of course, we need to put a figure in here as the limitation figure, and the figure we have in the budget is $360 million.

Mr. THOMAS. You did not use your total last year.

Mr. MONK. $368 million of the $380 million, but you remember we had to come back and you had to give us an increase in the limitation last year, and the year before we had to come back and you had to give us an increase in the limitation.

Mr. THOMAS. Look at all the fun you have coming back.

Mr. MONK. Yes, sir, I realize that.

Now we are anticipating sales of loans and sales of mortgage participations that would give us enough money. But if those sales do not materialize, then we probably would have to come back here and get some money from you, either out of direct appropriation or a——

Mr. THOMAS. I would suggest to my distinguished friend down here that he does not give anything away, but there is a lot of mortgage money floating around with the trust companies. FHA and FNMA are doing business with them, and you might give consideration to doing business with them, too, instead of nursing these properties.

Mr. DERVAN. That is what we are doing.

AUTHORIZED DIRECT LOAN BORROWINGS

Mr. EVINS. Over the years you have had $1,100 million authorized?

Mr. MONK. Total for direct loans, yes, sir.

Mr. DERVAN. $1,100 million is the direct loan authorization.

Mr. THOMAS. How much credit have you not used?

Mr. DERVAN. We came up at the end of last fiscal year with $249 million unused, sir.

Mr. EVINS. Your direct loan program has been the most successful from the point of view of payout?

Mr. DERVAN. Yes, sir. It is more successful than the loan guarantee program.

STATUS OF LOAN PROGRAMS

Mr. EVINS. Again tell us how much you have in losses in the loan guarantee program.

Mr. DERVAN. In the loan guarantee program, sir, through June 30, 1964, the cumulative loss was $41 million. Under the direct loan program, sir, the cumulative net earnings were $139 million.

Mr. EVINS. Mr. Monk, on page 3–31 you say the direct loan program in 1965 is expected to be $195 million.

Mr. MONK. That is total direct loan expenditures.

Mr. EVINS. On page 3–32 you say the direct loans to veterans in 1965 is expected to total $154 million.

Mr. MONK. That is the amount we expect to spend for loans, Mr. Evins. In addition to the amount for loans, we have interest to pay, and we have some other operating expenses that bring our total anticipated outlay up to the $194,987,000.

Mr. EVINS. The difference between the $154 million and the $195 million is administrative costs, interest, rehabilitation, your losses——

Mr. MONK. No administrative costs in that. That is borne out of appropriated money.

Mr. EVINS. That is your loss amount, then. The difference between those two is the amount you anticipate you are going to lose?

Mr. MONK. It is interest, it is operating expenses, property expense, sales expense, commissions.

Mr. THOMAS. He will never give you a figure on administrative costs from appropriated. Has he a horseback opinion what it is?

Mr. EVINS. How much administrative cost is there to this program?

Mr. MONK. The direct loan program?

Mr. EVINS. Both.

Mr. MONK. The administrative costs we are asking in 1966 are $23,284,000. That is 1 year.

Mr. EVINS. $23 million administrative cost. How much is your loss between the $154 million and the $195 million, then?

Mr. MONK. There is no loss in there. The net loss between the loan guarantee fund and the direct loan fund for next year—what is it, John?

Mr. DERVAN. Actually, Mr. Chairman, we are projecting a profit in the direct loan program for this fiscal year of $15 million, and in 1966 of $9.6 million.

Mr. THOMAS. You gave a figure of a loss of $1,800 per unit. By the time you pay your appropriate administrative costs plus other items of expense, is it not considerably more than $1,800 per unit?

Mr. MONK. If you allocated the administrative cost; yes, sir.

Mr. THOMAS. Why not do that? It is a legitimate expense and it ought to be charged to the house, should it not?

Mr. DERVAN. The $1,887 figure represents just the operating expenses.

Mr. THOMAS. What is a good horseback figure of your entire wrap-up loss cost? It is nearer $2,800 or minus $900 like the FHA.

Mr. DERVAN. Yes. If we allow items that are included in FHA, it would probably be in the vicinity of $2,600.

Mr. EVINS. You have $23 million administrative expense, and you expect to lose on the program $41 million, and that is a $64 million cost to the program.

Mr. ECHOLS. Mr. Evins, for fiscal 1966 the administrative cost shown is $23,284,000. The loan guarantee loss is projected at $31,445,000.

Mr. EVINS. That is even more.

Mr. ECHOLS. You deduct from the sum of those two, which is $54,729,000, the net earnings in the direct loan fund of $9,633,000 and it gives you a net for the year of $45,096,000.

Mr. EVINS. Your net loss is $45,096,000?

Mr. ECHOLS. Yes, sir.

# Direct Loan Revolving Fund

## *Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Programs by activities: | | | |
| | Capital outlay; funded: | | | |
| | 1. Direct loans to veterans | 196,869 | 154,000 | 112,000 |
| | 2. Cash advances—vendee loans | 12 | 15 | 17 |
| | 3. Property improvements | 126 | 120 | 120 |
| | Total capital outlay, funded | 197,007 | 154,135 | 112,137 |
| | Change in selected resources [1] | −11,151 | −2,527 | −2,000 |
| | Total capital outlay obligations | 185,856 | 151,608 | 110,137 |
| | Operating costs, funded: | | | |
| | 4. Interest on borrowings | 38,503 | 41,000 | 25,000 |
| | 5. Operating expenses, general | 746 | 800 | 850 |
| | 6. Property management expense | 551 | 790 | 790 |
| | 7. Sales expense | 472 | 510 | 510 |
| | 8. Commission on sale of participation certificates Government mortgage liquidation trust | | 279 | 1,800 |
| | Total operating costs, funded—obligations | 40,272 | 43,379 | 28,950 |
| 10 | Total obligations | 226,128 | 194,987 | 139,087 |
| | Financing: | | | |
| 14 | Receipts and reimbursements from: | | | |
| | Non-Federal sources: | | | |
| | Loans repaid: | | | |
| | Loans to veterans | −83,753 | −74,974 | −45,012 |
| | Vendee loans | −793 | −970 | −1,300 |
| | Sale of loans without recourse | −133,523 | −187,000 | −177,500 |
| | Sale of loans with recourse | −134 | | |
| | Sale of participation certificates | | −93,000 | −600,000 |
| | Other repayments | −216 | −180 | −200 |
| | Sale of properties | −808 | −900 | −950 |
| | Interest on loans | −61,378 | −53,407 | −33,375 |
| | Rental and other revenue | −926 | −5,665 | −5,268 |
| | Unobligated balance available, start of year: | | | |
| 21.47 | Authorization to spend from public debt receipts | −280,512 | −249,372 | −265,848 |
| 21.98 | Fund balance | −314,983 | −343,386 | −364,496 |
| 23.98 | Unobligated balance transferred to loan guaranty revolving fund (72 Stat. 1203) (78 Stat. 661) | 27,000 | 200,000 | 180,000 |
| | Unobligated balance available, end of year: | | | |
| 24.47 | Authorization to spend from public debt receipts | 249,372 | 265,848 | 78,848 |
| 24.98 | Fund balance | 343,386 | 364,496 | 909,014 |
| 25.47 | Unobligated balance lapsing: Authorization to spend from public debt receipts | 181,140 | 133,523 | 187,000 |
| 67 | New obligational authority (authorization to spend from public debt receipts) (permanent) | 150,000 | 150,000 | 100,000 |
| 47 | New obligational authority (authorization to expend from public debt receipts) (current) | | | −100,000 |
| | Relationship of obligations to expenditures: | | | |
| 10 | Total obligations | 226,128 | 194,987 | 139,087 |
| 70 | Receipts and other offsets (items 11–17) | −281,531 | −416,096 | −863,605 |
| 71 | Obligations affecting expenditures | −55,403 | −221,109 | −724,518 |
| 72 | Obligated balance, start of year | 93,199 | 70,098 | 75,158 |
| 74 | Obligated balance, end of year | −70,098 | −75,158 | −36,587 |
| 90 | Expenditures | −32,303 | −226,169 | −685,947 |
| | Cash transactions: | | | |
| 93 | Gross expenditures | 249,979 | 183,401 | 151,196 |
| 94 | Applicable receipts | −282,282 | −409,570 | −837,143 |

[1] Balances of selected resources are identified in the statement of financial condition.

Note.—The above statement excludes the following exchanges of nonworking capital assets: The settlement of defaulted veterans loans by foreclosures and conveyances (1964, $9,961,000; 1965, $10,097,000; 1966, $9,937,000): The settlement of vendee loans by foreclosures and conveyances (1964, $617,000; 1965, $715,000; 1966, $865,000): The acquisition of vendee loans in exchange for real property (1964, $8,782,000; 1965, $9,185,000; 966, $9,185,000).

### *Financial condition*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Assets: | | | | |
| Treasury balance | 408,181 | 413,484 | 439,654 | 945,601 |
| Accounts receivable, net | 3,854 | 3,104 | 2,604 | 2,304 |
| Funds on deposit with trustee for payment of principal on participation certificates | | | 7,026 | 33,788 |
| Loans receivable, net: | | | | |
| Direct loans to veterans | 1,261,041 | 1,230,673 | 1,112,602 | 992,153 |
| Less: Sale of participation certificates | | | −93,000 | −693,000 |
| Subtotal | 1,261,041 | 1,230,673 | 1,019,602 | 299,153 |
| Vendee Loans | 14,375 | 21,625 | 29,140 | 36,177 |
| Real property owned or in process of acquiring title | 5,878 | 6,171 | 6,777 | 7,304 |
| Total assets | 1,693,330 | 1,675,057 | 1,504,803 | 1,324,327 |
| Liabilities: | | | | |
| Current: | | | | |
| Accrued interest payable | 25,551 | 15,259 | 19,180 | 17,830 |
| Other | 26,975 | 24,567 | 34,759 | 26,000 |
| Total liabilities | 52,526 | 39,826 | 53,939 | 43,830 |
| Government equity: | | | | |
| Interest-bearing capital: | | | | |
| Start of year | 1,424,360 | 1,624,360 | 1,624,360 | 1,424,360 |
| Borrowings from Treasury, net | 200,000 | | | |
| Transfer to non-interest-bearing capital of the loan guaranty revolving fund (Public Law 88-507) | | | −200,000 | −180,000 |
| End of year | 1,624,360 | 1,624,360 | 1,424,360 | 1,244,360 |
| Retained earnings, end of year | 16,444 | 10,871 | 26,504 | 36,137 |
| Total Government equity | 1,640,804 | 1,635,231 | 1,450,864 | 1,280,497 |

### *Analysis of Government equity and undrawn authorizations*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Undisbursed loan obligations [1] | 44,527 | 33,376 | 30,849 | 28,849 |
| Unobligated balance | 595,495 | 592,757 | 630,344 | 987,862 |
| Invested capital and earnings | 1,281,294 | 1,258,469 | 1,055,519 | 342,634 |
| Subtotal | 1,921,316 | 1,884,602 | 1,716,712 | 1,359,345 |
| Undrawn authorizations | −280,512 | −249,372 | −265,848 | −78,848 |
| Total Government equity | 1,640,804 | 1,635,231 | 1,450,864 | 1,280,497 |

[1] The changes in these items are reflected on the program and financing schedule.

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| 25.1 | Other services | 1,770 | 2,379 | 3,950 |
| 33.0 | Investments and loans | 185,855 | 151,608 | 110,137 |
| 43.0 | Interest and dividends | 38,503 | 41,000 | 25,000 |
| 99.0 | Total obligations | 226,128 | 194,987 | 139,087 |

Mr. EVINS. We shall place in the record pages 3–20 through 3–41. (The pages follow:)

DIRECT LOANS TO VETERANS AND RESERVES REVOLVING FUND

In various segments of the country private capital historically has been generally unavailable on GI loan terms. These locations are rural places or small cities which are remote from metropolitan centers and their commuting areas. In such localities, designated as "housing credit shortage areas," the Administrator has been authorized to take the place of the private lender, in a sense, and make approved housing loans directly to the veteran. Such direct loans are made to purchase, construct, or improve a home; to purchase a farm on which there is a farm residence to be occupied by the veteran; or to construct, alter, repair, or improve a farm dwelling to be occupied by the veteran as his home.

Initiated by the Congress in April of 1950, the direct loan program has subsequently been extended; current legislation provides for its expiration January 31, 1975.

Public Law 87–84, approved July 6, 1961, authorized the Veterans Administration to draw $1.1 billion from the U.S. Treasury at stated intervals through 1966 with the provision that after the first year (1962) the amount so authorized was to be reduced by the amount of loans sold in the preceding fiscal year. Through 1964, $400 million was borrowed from the Treasury and $200.6 million lapsed due to loan sales in prior years. No borrowings are contemplated in fiscal year 1965 or fiscal year 1966. The following table indicates the disposition of funds authorized by the above cited public law:

[In thousands of dollars]

| Year | New authorization | Sales offset | Borrowings | Available authorization |
|---|---|---|---|---|
| 1962 | $500,000 | ---------- | —$200,000 | $300,000 |
| 1963 | 200,000 | —$19,488 | —200,000 | 280,512 |
| 1964 | 150,000 | —181,140 | ---------- | 249,372 |
| 1965 | 150,000 | —133,523 | ---------- | 265,848 |
| 1966 | [1] (100,000) | —187,000 | ---------- | 78,848 |
| Total | 1,100,000 | —521,151 | —400,000 | 78,848 |

[1] Appropriation language proposed to rescind authorization.

Public Law 88–507, continued the authority to transfer "retained earnings" of the direct loan revolving fund to the loan guarantee revolving fund, and in addition provided authority to transfer, as needed, up to $200 million of unobligated balances of the direct loan fund to the loan guarantee revolving fund. language in the loan guarantee revolving fund proposes to extend these provisions through 1966.

Financing of the direct loan program is accomplished through the direct loan revolving fund. This fund bears all the expenses of—

Direct loans to eligible veterans.

Interest on funds borrowed from Treasury.

Related operating expenses, such as property maintenance, management, and selling expenses; except that administrative costs (salaries, etc.) are borne by the VA "General operating expenses" appropriation.

Major sources of capital and revenue are—

Principal repayments on loans.

Interest received on loans.

Sales of loans to private investors.

Borrowings from Treasury.

Sales of participation certificates through the Government Mortgage Liquidation Trust beginning in fiscal year 1965.

APPROPRIATION LANGUAGE

The amount authorized by section 1823(a) of title 38, United States Code, to be advanced after June 30, 1965, by the Secretary of the Treasury to the Administrator, for the purposes of the "Direct loan revolving fund" is hereby reduced by the amount of $100 million.

PROGRAM ACCOMPLISHMENTS

The number of direct loans made to date is only a small fraction of the number of loans guaranteed or insured by the Veterans Administration. This was to be expected in a program intended only to supplement the loan guarantee program in providing credit assistance to veterans. Since the direct loan program was initiated in 1950, under the provisions of Public Law 475, 81st Congress, 245,065 loans have been made in the amount of about $2.2 billion. As of the end of June 1964, 31,323 direct loans had been repaid in full, 39,817 had been sold; and 4,406 had been terminated by foreclosure or voluntary conveyance. This left 169,519 loans with an unpaid principal balance of about $1.2 billion still outstanding.

Funds for making direct loans are provided by periodic U.S. Treasury advances, the proceeds from the sale of direct loans to private investors, and the proceeds of principal repayments on loans made. From the beginning of the direct loan program in 1950 through June 1964, a total of about $2.7 billion had become available for making direct loans from these sources as follows:

| | |
|---|---|
| U.S. Treasury advances | $1,730,077,996 |
| Proceeds from sales of loans to private investors | 398,998,341 |
| Loan repayments | 526,465,663 |
| Total | 2,655,542,000 |

As of June 30, 1964, approximately $330 million of the total shown above remained available for making direct loans and an additional $33 million worth of loans were in the process of being closed. A summary statement of the use made of the total amounts which have become available to this fund for making loans is shown below:

| | |
|---|---|
| Loans made | $2,186,876,461 |
| Loans in process of closing | 33,188,907 |
| Capital transferred to the loan guarantee revolving fund | 105,718,022 |
| Balance available for loans | 329,758,610 |
| Total | 2,655,542,000 |

Interest and miscellaneous income from this direct lending operation have been sufficient to pay all interest and operating expenses and accumulate considerable net earnings. These retained earnings have in the past been made available by the Congress for transfer to the loan guarantee revolving fund.

The following table summarizes the cumulative earnings and their disposition through June 30, 1964:

| | |
|---|---|
| Gross earnings | $420,412,980 |
| Less: | |
| Interest payments to Treasury | −217,866,196 |
| Expenses | −9,523,026 |
| Total net earnings | 139,023,758 |
| Earnings transferred to the loan guarantee revolving fund | −128,152,978 |
| Retained earnings, June 30, 1964 | 10,870,780 |

During fiscal year 1964, applications were promptly mailed to all veterans requesting a direct loan and the need to establish a waiting list of veterans did not arise. Applications for direct loans received during the year totalled 26,406 and at the end of June 1964, there were 3,738 application forms which had been mailed to veterans but not yet returned. During the year 17,996 direct loans were made, 6,638 loans were repaid in full, and 1,185 loans were terminated by foreclosure or voluntary conveyance. In addition, 12,753 direct loans amounting to $133,523,151 were sold to private investors during the year.

PROGRAM EXPENDITURES

The direct loan fund requirements in fiscal year 1965 are expected to be $195 million, or $31.1 million less than they were in fiscal year 1964.

The fiscal year 1966 requirements are expected to be $139.1 million, or $55.9 million less than in fiscal year 1965.

The following table summarizes the actual and estimated significant items of cost:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Capital outlay: | | | |
| Direct loans to veterans | $196,869,333 | $154,000,000 | $112,000,000 |
| Property improvements | 125,514 | 120,000 | 120,000 |
| Cash advances, vendee loans | 12,226 | 15,000 | 17,000 |
| Total | 197,007,073 | 154,135,000 | 112,137,000 |
| Operating expenses: | | | |
| Interest on borrowings | 38,503,307 | 41,000,000 | 25,000,000 |
| Operating expenses, general | 746,159 | 800,000 | 850,000 |
| Property expense | 551,242 | 790,000 | 790,000 |
| Sales expense | 472,133 | 510,000 | 510,000 |
| Commission on sale of participations, GMLT | | 279,000 | 1,800,000 |
| Total operating expenses | 40,272,841 | 43,379,000 | 28,950,000 |
| Total cost | 237,279,914 | 197,514,000 | 141,087,000 |
| Adjustment to obligations: | | | |
| Undisbursed obligations: | | | |
| Start of year | −44,527,158 | −33,376,000 | −30,849,000 |
| End of year | 33,375,599 | 30,849,000 | 28,849,000 |
| Total obligations | 226,128,355 | 194,987,000 | 139,087,000 |

*Capital outlay*

Capital outlay includes cash advances to borrowers and expenditures for improvements made on acquired property that increase their book value.

*Direct loans to veterans*

Direct loans to veterans in fiscal year 1965 are expected to total $154 million, or $42.9 million less than they were in fiscal year 1964.

The fiscal year 1966 loans are expected to total $112 million, or $42 million less than in fiscal year 1965.

The decreasing trend—continuing that experienced in recent years—reflects a declining demand for loans resulting from a phaseout of eligibility and the increased availability of private capital for VA-guaranteed home loans. The estimates contemplate meeting in full the demand for direct loans in housing credit shortage areas—no waiting lists are expected to accumulate. The average new loan amount for each year is expected to reach $11,000.

The following table summarizes the changes in the number of direct loans outstanding at the beginning and end of each year:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of loans: | | | |
| Outstanding, start of year | 172,099 | 169,519 | 157,592 |
| New loans made | 17,996 | 14,000 | 10,200 |
| Loans sold | −12,753 | −17,800 | −16,900 |
| Loans paid in full | −6,638 | −7,000 | −7,500 |
| Loans foreclosed | −1,185 | −1,127 | −1,101 |
| Total loans outstanding, end of year | 169,519 | 157,592 | 142,291 |

The following table summarizes the changes in the amount which veterans owe on direct loans at the beginning and end of each year:

| Amount of debt | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Start of year | $1,261,041,255 | $1,230,673,101 | $1,105,576,101 |
| New loans made | 196,809,333 | 154,000,000 | 112,000,000 |
| Loans sold | −133,523,151 | −187,000,000 | −177,500,000 |
| Principal collections | −83,753,317 | −82,000,000 | −76,199,000 |
| Loans foreclosed | −9,961,019 | −10,097,000 | −9,937,000 |
| Veterans debt, end of year | 1,230,673,101 | 1,105,576,101 | 953,940,101 |

*Property improvements capitalized*

Properties are acquired by foreclosure on or the voluntary conveyance of title to properties securing loans made by the Veterans Administration. In 1964, $125,514 of the expenditures for improving properties acquired were capitalized. It is estimated that expenditures of this nature will be $120,000 for fiscal year 1965 and 1966, respectively.

The following table summarizes these expenditures:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of properties improved | 1,157 | 1,217 | 1,211 |
| Average cost per property improved | $109 | $99 | $99 |
| Total cost | $125,514 | $120,000 | $120,000 |

*Cash advances, vendee loans*

Small cash loans are occasionally made to the borrower to cover minor tax deficiencies, etc. These amounts are added to the current loan balance. $12,226 was used for this purpose in fiscal year 1964, and it is estimated that $15,000 will be required in fiscal year 1965 and $17,000 in fiscal year 1966.

*Operating expenses*

Operating expenses of the direct-loan program include interest on funds borrowed from the Treasury, miscellaneous expenses incident to closing and liquidating loans, property maintenance and management expenses, and the cost of selling acquired properties.

Interest payments to the Treasury represent approximately 95 percent of the total operating expenses of the direct-loan fund.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Interest on borrowings from Treasury | $38,503,307 | $41,000,000 | $25,000,000 |

The actual interest cost for fiscal year 1964 was $43,475,000; however, in order to effect the adjustment in interest paid in prior years (1962 and 1963) required by Public Law 88–274, payments were reduced by $4,972,000 for a net of $38,503,307 in fiscal year 1964. This law stated that—

"The Administrator shall not be required to pay interest on transfers made pursuant to the Act of February 13, 1962 (73 Stat. 8), from the capital of the 'direct loans to veterans and reserves revolving fund' to the 'loan guaranty revolving fund' and adjustments shall be made for payments of interest on such transfers before the date of enactment of this sentence."

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Operating expense, general | $746,159 | $800,000 | $850,000 |

This item includes liquidation and other miscellaneous expenses and writeoffs of veterans debts, miscellaneous receivable amounts and application fees borne by the Government incident to closing and liquidating loans.

*Property expense*

This includes all the cost of ownership of acquired properties except those which increase the value of the property and are included under property improvements. Included in management expense is grass cutting, repair of broken windows, winterizing, etc.; also payments for services performed by management brokers and real estate taxes. It also includes the cost of the initial cleanup and repairs to properties required to place them in salable condition, but which are not added to the book value of the property.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Average number of properties owned | 778 | 769 | 783 |
| Average cost per property | $709 | $1,027 | $1,009 |
| Total cost | $551,242 | $790,000 | $790,000 |

*Property sales expense*

This includes brokers fees and advertising costs incident to the sale of properties owned by VA and averages approximately 5 percent of the selling price:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of sales | 1,165 | 1,200 | 1,200 |
| Average cost per sale | $405 | $425 | $425 |
| Total cost | $472,133 | $510,000 | $510,000 |
| Commission on sale of participations, Government mortgage liquidation trust | | $279,000 | $1,800,000 |

This represents that portion of the cost of marketing serial participation certificates through a nationwide group of underwriters which is charged the Veterans Administration by the Federal National Mortgage Association as trustee for the Government mortgage liquidation trust. These costs will increase in proportion to the amount of sale of participations in the trust.

*Adjustment of cost to obligations*

These entries are made to reflect the change in the amount of loans in the hands of loan closers and unliquidated operating expenses at the beginning and end of each fiscal year:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Beginning of year | $44,527,158 | $33,376,000 | $30,849,000 |
| End of year | 33,375,599 | 30,849,000 | 28,849,000 |
| Difference | −11,151,559 | −2,527,000 | −2,000,000 |

The preceding table indicates that of the total cost during each fiscal year, $11.2 million in fiscal year 1964; $2.5 million in fiscal year 1965, and $2 million in fiscal year 1966 pertained to prior year obligations.

PROGRAM FINANCING

The unobligated balance of available funds at the end of fiscal year 1965 will be $630.3 million, of which $265.8 million will be in undrawn treasury authorizations and $364.5 million in cash. Operations during fiscal year 1966 will produce $863.6 million, of which $139.1 million will be required for loans to veterans and other operating expenses and $180 million for transfer to the loan guarantee

revolving fund. This will leave an unobligated cash balance of $909 million at the end of fiscal year 1966.

There are no plans to borrow any additional funds from the Treasury during fiscal year 1965 or 1966. However, the undrawn Treasury authorization of $265.8 million available at the end of fiscal year 1965 will be reduced in fiscal year 1966 by the amount of direct loans sold during fiscal year 1965, thus leaving a balance of only $78.8 million in undrawn Treasury authorizations.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Unobligated balance, start of year | $595,494,670 | $592,757,794 | $630,343,794 |
| Receipts: | | | |
| Mortgage pool participation certificates | | 93,000,000 | 600,000,000 |
| Sale of loans | 133,657,235 | 187,000,000 | 177,500,000 |
| Loan repayments and interest income | 145,924,276 | 133,966,000 | 83,275,000 |
| Miscellaneous receipts | 1,949,968 | 2,130,000 | 2,830,000 |
| Total receipts | 281,531,479 | 416,096,000 | 863,605,000 |
| New borrowing authority | 150,000,000 | 150,000,000 | |
| Less: | | | |
| Prior year direct loan sales | −181,140,000 | −133,523,000 | −187,000,000 |
| Obligations | −226,128,355 | −194,987,000 | −139,087,000 |
| Transfer to "Loan guarantee revolving fund" | −27,000,000 | −200,000,000 | −180,000,000 |
| Total unobligated balance, end of year | 592,757,794 | 630,343,794 | 987,861,794 |
| Undrawn authorization | (249,372,000) | (265,847,996) | (78,847,000) |
| Cash | (343,385,794) | (364,495,798) | (909,014,794) |

*Mortgage pools*

The primary purpose of mortgage pools is to provide a device for realizing cash from loans held by VA which are not readily salable and to attract new private funds not heretofore available for direct mortgage investment. Funds from the sale of mortgage participations will be used in lieu of borrowing from the Treasury. In fiscal year 1965, the trustee for the Government Mortgage Liquidation Trust (GMLT) sold $93 million in participation certificates that were secured by direct loans with an outstanding principal balance of $187 million. The principal and interest collections on these pledged loans are transmitted monthly to the trustee. The trustee retains that part of these monthly payments needed for the annual retirement of one-tenth of the total certificates and the payment of interest semiannually.

Funds to provide for the payment of certain administrative expenses are also retained by the trustee. The balance of the monthly receipts after deductions for the items indicated above are returned to the VA.

The fiscal year 1966 estimates include an additional mortgage pool of $600 million which will require a pledge of loan balances aggregating $750 million.

The operation of the Government Mortgage Liquidation Trust, in relation to both the direct loan and loan guarantee revolving funds, is discussed in part 4, special analysis, page 4–29.

*Sale of direct loans*

When direct loans are sold for cash, they in effect become guaranteed loans and are subject to the same conditions, terms, and limitations which would be applicable to guaranteed loans. Direct loans are sold to investors at par. Proceeds from the sale of these loans are available for making new direct loans to veterans and the authorization to borrow from the Treasury is reduced by the amount of such sales in previous year.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of sales | 12,753 | 17,800 | 16,900 |
| Average per sale | $10,470 | $10,500 | $10,500 |
| Total | $133,523,151 | $187,000,000 | $177,500,000 |

*Loan repayments and interest income*

The following table summarizes loan repayments and interest income:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Repayment of: | | | |
| Direct loans | $83,753,317 | $74,974,000 | $45,012,000 |
| Vendee loans | 792,940 | 970,000 | 1,300,000 |
| Interest income | 61,378,019 | 58,022,000 | 36,963,000 |
| Total | 145,924,276 | 133,966,000 | 83,275,000 |

The preceding table indicates that direct loan repayments and interest income in fiscal year 1966 will be 43 percent less than in fiscal year 1964. This is because principal and interest repayments on loans backing mortgage pools are assigned to the Government mortgage liquidation trust and are not available for purposes of the fund.

*Miscellaneous receipts*

Total miscellaneous receipts consists of interest on investments, premiums received from the sale of mortgage pool participation certificates, the cash proceeds on property sold, rental on property owned by VA, and other miscellaneous receipts.

The following table summarizes these items:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Interest on investments, Government mortgage liquidation trust | | | $405,000 |
| Premium on sale of participations | | $50,000 | 75,000 |
| Sale of property (cash) | $808,086 | 900,000 | 950,000 |
| Miscellaneous repayments, revenue, and rent | 1,141,882 | 1,180,000 | 1,400,000 |
| Total | 1,949,968 | 2,130,000 | 2,830,000 |

PROGRAM CONDITION

The program expenditure and financing transactions outlined in the preceding pages will result in the program condition of the direct loan revolving fund

being as shown on the following page as of the close of fiscal years 1964, 1965, and 1966:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Assets: | | | |
| Treasury balance | $413,483,978 | $439,654,000 | $945,601,000 |
| Accounts receivable, net | 3,103,637 | 2,604,000 | 2,304,000 |
| Receivables from trustee, Government mortgage liquidation trust | | 7,026,000 | 33,788,000 |
| Loans receivable, net: | | | |
| Direct loans to veterans | 1,230,673,101 | 1,019,602,000 | 299,153,000 |
| Vendee loans | 21,624,923 | 29,140,000 | 36,177,000 |
| Real property owned or in process of acquiring title | 6,171,337 | 6,777,000 | 7,304,000 |
| Total assets | 1,675,056,976 | 1,504,803,000 | 1,324,327,000 |
| Liabilities: | | | |
| Current: | | | |
| Accrued interest payable | 15,259,431 | 19,180,000 | 17,830,000 |
| Other | 24,566,791 | 34,759,000 | 26,000,000 |
| Total | 39,826,222 | 53,939,000 | 43,830,000 |
| Government equity: | | | |
| Interest-bearing capital: | | | |
| Start of year | 1,624,359,974 | 1,624,360,000 | 1,424,360,000 |
| Transfer to loan guaranty revolving fund (Public Law 88-507) | | −200,000,000 | −180,000,000 |
| End of year | 1,624,359,974 | 1,424,360,000 | 1,244,360,000 |
| Retained earnings, end of year | 10,870,780 | 26,504,000 | 36,137,000 |
| Total Government equity | 1,635,230,754 | 1,450,864,000 | 1,280,497,000 |
| Total liabilities and Government equity | 1,675,056,976 | 1,504,803,000 | 1,324,327,000 |

*Assets*

*Treasury balance.*—The treasury balance represents the amount available with the Treasury for disbursements. Prior year balances agree with the amounts shown in the Treasury Department's combined statement.

*Accounts receivable, net.*—This item includes the following:

(*a*) Veterans liability which represents amount owed by the veterans to the Government after liquidation of the loan.

(*b*) Accrued interest which represents interest currently accrued on loans and advances to veterans, vendee accounts, and veterans liability accounts.

(*c*) Accrued rent on property owned.

(*d*) Miscellaneous receivables include rent due from former tenants, deficiencies from liquidated vendee accounts, and deficiencies on loans transferred to third parties by veterans released from liability.

(*e*) Collections in transit not reported by the Treasury as a part of the unexpended balance of the fund.

*Receivables from trustee, Government mortgage liquidation trust.*—These are the collections of principal on loans pledged to the mortgage pool which are on deposit with the trustee of the Government mortgage liquidation trust and will be used for the timely retirement of participation certificates.

*Loans receivable*

*Direct loans.*—This item represents the amount of outstanding direct loans and advances to veterans, after deducting the amount of future repayments necessary to complete the retirement of participation certificates held by private investors. This amount is calculated as follows:

| | Fiscal year 1965 | Fiscal year 1966 |
|---|---|---|
| Veterans debt: End of year | $1,105,576,000 | $953,940,000 |
| Add principal repayments paid to GMLT | 7,026,000 | 38,213,000 |
| Subtotal | 1,112,602,000 | 992,153,000 |
| Deduct face value of participation certificates sold | −93,000,000 | −693,000,000 |
| Direct loans receivable, net | 1,019,602,000 | 299,153,000 |

*Vendee loans.*—This item represents the net amount outstanding on loans made on acquired properties sold on terms for less than all cash.

*Real property owned or in process of acquiring title.*—Real property owned represents real property for which the VA has acquired absolute title while "in process" pertains to property held subject to redemption.

*Liabilities*

Current liabilities include the following:

(*a*) Accrued interest due Treasury: The law provides for semiannual interest payments to the Treasury as of December 31 and June 30. Accrued interest at June 30 is paid in subsequent fiscal year.

(*b*) Borrowers' tax and insurance funds collected and held in escrow by the VA for the purpose of paying taxes and/or insurance on the mortgaged properties securing the borrowers' loans.

(*c*) Funds collected which have been deposited and held for specific purpose pending determination of final disposition.

(*d*) Funds collected which have been deposited pending determination of the accounts to be credited.

(*e*) Disbursements in transit not reported by the Treasury as part of the expenditures of the fund.

*Government equity*

The equity of the Government is the difference between assets and liabilities. This amount reflects the changes in capital, i.e., borrowings from Treasury less transfers to the loan guarantee revolving fund as well as changes in retained earnings.

CASH ADVANCES FOR TAX DEFICIENCIES

Mr. EVINS. Cash advances are often made in addition, so that the borrower can use the money to cover tax deficiencies. These amounts are added to the current loan balance—$12,226 was used for this purpose in fiscal year 1964, and it is estimated that $15,000 will be advanced in 1965 and $17,000 in 1966.

How many advances are made? How many individuals write in and say, "We are going to lose our home because we cannot pay our taxes," and you make another loan?

Mr. ECHOLS. These advances are usually made at the time we get the tax bill to be paid on the real estate, and we find that the balances accumulated in the escrow account is not quite sufficient. We have approximately 45,000 of these accounts carried on the books.

Mr. EVINS. Advances?

Mr. ECHOLS. No; 45,000 loans.

Mr. EVINS. How many advances is what I am talking about.

the tax bill to be paid on the real estate, and we find that the balance 12,226 in the direct loan program.

Mr. THOMAS. Twenty-five percent.

Mr. EVINS. The number of sales and the average per sale is shown on page 3–37 which is in the record.

GOVERNMENT MORTGAGE LIQUIDATION POOL

Mr. EVINS. You have a Government mortgage liquidation pool, the same as FHA does, so you might be able to sell some of these and make some earnings out of it. How is the mortgage pool working out?

Mr. DERVAN. It has been working out very well, sir.

Mr. EVINS. How many homes have you sold through the pool?

Mr. ECHOLS. We do not sell homes.

Mr. EVINS. You sell the mortgages?

Mr. ECHOLS. Yes, sir. This fiscal year, sir, we have the sale of $100 million, of which $93 million was credited to the direct loan revolving fund and $7 million to the loan guarantee revolving fund.

## LOAN GUARANTEE REVOLVING FUND

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Capital outlay, funded: | | | |
| | 1. Real property acquired | 264,661 | 273,000 | 265,000 |
| | 2. Capital improvements to acquired properties | 5,419 | 5,900 | 5,000 |
| | 3. Claims paid | 24,502 | 24,500 | 24,000 |
| | 4. Repurchase of loans sold, net | 13,496 | 16,500 | 17,000 |
| | 5. Cash advances—vendee loans | 512 | 600 | 650 |
| | 6. Loans acquired | 4,786 | 7,600 | 5,350 |
| | Total capital outlay, funded | 313,376 | 328,100 | 317,000 |
| | Operating costs, funded: | | | |
| | 7. Commission on sale of participation certificate—Government mortgage liquidation trust | | 21 | 600 |
| | 8. Property management expense | 24,410 | 23,279 | 24,400 |
| | 9. Sales expense | 17,527 | 17,400 | 18,000 |
| | Total operating costs, funded | 41,937 | 40,700 | 43,000 |
| 10 | Total program costs, funded—obligations | 355,313 | 368,800 | 360,000 |
| | Financing: | | | |
| 14 | Receipts and reimbursements from: Non-Federal sources: | | | |
| | Loans repaid: | | | |
| | (a) Vendee loans | −9,772 | −11,534 | −6,000 |
| | (b) Acquired loans | −497 | −1,200 | −1,200 |
| | Cash proceeds from sale of mortgages: | | | |
| | Sale of loans with recourse | −208,133 | −250,000 | −250,000 |
| | Premium on sale of loans | −3,175 | −3,750 | −3,750 |
| | Sale of participation certificates | | −7,000 | −200,000 |
| | Sale of properties | −13,567 | −13,000 | −12,000 |
| | Collection of claims receivable (veterans indebtedness) | −2,002 | −2,000 | −2,000 |
| | Other repayments | −431 | −450 | −450 |
| | Interest on loans | −22,167 | −23,350 | −17,188 |
| | Rental and other revenue | −5,106 | −6,687 | −8,092 |
| 21.98 | Unobligated balance available, start of year | −80,951 | −17,489 | −167,660 |
| 22.98 | Unobligated balance transferred from "Direct loans to veterans and reserves revolving fund" | −27,000 | −200,000 | −180,000 |
| 24.98 | Unobligated balance available, end of year | 17,489 | 167,660 | 488,340 |
| 40 | New obligationa lauthority | | | |
| | Relationship of obligations to expenditures: | | | |
| 10 | Total obligations | 355,313 | 368,800 | 360,000 |
| 70 | Receipts and other offsets (items 11–17) | −264,851 | −318,971 | −500,680 |
| 71 | Obligations affecting expenditures | 90,462 | 49,829 | −140,680 |
| 72.98 | Obligated balance, start of year | 5,321 | 19,285 | 20,914 |
| 74.98 | Obligated balance, end of year | −19,285 | −20,914 | −14,117 |
| 90 | Expenditures | 76,498 | 48,200 | −133,883 |
| | Cash transactions: | | | |
| 93 | Gross expenditures | 339,199 | 367,462 | 356,044 |
| 94 | Applicable receipts | −262,701 | −319,262 | −489,927 |

NOTE.—The above statement excludes the following exchanges of nonworking capital assets: The settlement of VA-guaranteed or insured loans by the acquisition of real property (1964, $255,791,000; 1965, $288,000,000; 1966, $302,000,000): The settlement of defaulted VA-owned loans by acquisition of real property (1964, $32,693,000; 1965, $38,200,000; 1966, $44,300,000): The acquisition of vendee loans in exchange for real property (1964, $321,697,000; 1965, $309,000,000; 1966, $322,000,000).

*Revenue, expense, and retained earnings*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Revenue | 27,273 | 30,909 | 32,155 |
| Less portion applicable to participation certificates sold; Government mortgage liquidation trust | | −872 | −6,875 |
| Net revenue | 27,273 | 30,037 | 25,280 |
| Expense | −66,487 | −64,125 | −67,775 |
| Net operating loss | −39,214 | −34,088 | −42,495 |
| Nonoperating income: | | | |
| Proceeds from sales of properties: | | | |
| Cash proceeds | 13,567 | 13,000 | 12,000 |
| Other (vendee loans) | 321,697 | 309,000 | 322,000 |
| Net book value of properties sold | −327,273 | −315,000 | −326,700 |
| Net gain from sale of properties | 7,992 | 7,000 | 7,300 |
| Proceeds from sales of mortgages: | | | |
| Cash proceeds | 211,308 | 253,750 | 253,750 |
| Asset value of mortgages sold | −208,133 | −250,000 | −250,000 |
| Net gain from sale of mortgages | 3,175 | 3,750 | 3,750 |
| Net loss for year | −28,047 | −23,338 | −31,445 |
| Analysis of deficit: | | | |
| Deficit, start of year | −13,293 | −41,340 | −64,678 |
| Deficit, end of year | −41,340 | −64,678 | −96,123 |

### *Financial condition*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Assets: | | | | |
| Treasury balance | 80,271 | 36,773 | 188,574 | 502,457 |
| Accounts receivable | 3,271 | 5,421 | 4,606 | 4,621 |
| Funds on deposit with trustee for payment of principal on participation certificates: Government mortgage liquidation trust | | | 524 | 11,262 |
| Advances for bidding at public sales | 41 | 74 | 65 | 70 |
| Claims receivable, net (veterans' indebtedness) | 25,704 | 35,158 | 30,599 | 26,785 |
| Loans receivable | 354,517 | 441,725 | 474,204 | 520,174 |
| Less sale of participation certificates, Government mortgage liquidation trust | | | 7,000 | −207,000 |
| Subtotal, loans receivable, net | 354,517 | 441,725 | 467,204 | 313,174 |
| Real property owned or in process of acquiring title | 253,701 | 219,421 | 225,000 | 210,714 |
| Total assets | 723,504 | 738,572 | 916,572 | 1,069,083 |
| Liabilities: Current | 8,591 | 24,706 | 26,044 | 30,000 |
| Government equity: | | | | |
| Interest-bearing capital: | | | | |
| Start of year | 105,718 | 105,718 | | |
| Reclassification to noninterest bearing capital (Public Law 88-274) | | −105,718 | | |
| Transfer from "Direct loans to veterans and reserves revolving fund" (cash): | | | | |
| Capital (borrowings from Treasury) (74 Stat. 532 and 76 Stat. 8) | | | | |
| End of year | 105,718 | | | |
| Non-interest-bearing capital: | | | | |
| Start of year | 622,488 | 622,488 | 755,206 | 955,206 |
| Reclassification from non-interest-bearing capital (Public Law 88-274) | | 105,718 | | |
| Transfer from "Direct loans to veterans and reserves revolving fund" (cash): | | | | |
| Capital (borrowings from Treasury) (Public Law 88-507) | | | 200,000 | 180,000 |
| Retained earnings (72 Stat. 1023) | | 27,000 | | |
| End of year | 622,488 | 755,206 | 955,206 | 1,135,206 |
| Deficit, end of year | −13,293 | −41,340 | −64,678 | −96,123 |
| Total Government equity | 714,913 | 713,866 | 890,528 | 1,039,083 |

### *Analysis of Government equity*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Unobligated balance | 80,951 | 17,489 | 167,660 | 488,340 |
| Invested capital and earnings | 633,962 | 696,378 | 722,868 | 550,743 |
| Total Government equity | 714,913 | 713,866 | 890,528 | 1,039,083 |

NOTE.—Contingent liability on guaranteed or insured loans held by private investors: 1963, $16,521,000,000 1964, $16,683,000,000; 1965, $16,600,000,000; 1966, $16,331,000,000.

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| 25.1 | Other services | 41,937 | 40,700 | 43,000 |
| 33.0 | Investments and loans | 313,376 | 328,100 | 317,000 |
| 99.0 | Total obligations | 355,313 | 368,800 | 360,000 |

Mr. EVINS. Mr. Reporter, we will place in the record pages 3–42 through 3–57.

(The pages follow:)

LOAN GUARANTEE REVOLVING FUND

The loan guarantee revolving fund was established at the beginning of 1962 by 74 Stat. 533, in order that the revenues obtained from principal repayments on vendee accounts and acquired loans, income from interest payments on such assets, and miscellaneous income such as rental of properties, could be used to defray the expenses for paying claims, acquiring properties, managing and selling properties.

APPROPRIATION LANGUAGE

"The loan guarantee revolving fund shall hereafter be available for expenses for property acquisitions and other loan guarantee and insurance operations under chapter 37, title 38, United States Code, except administrative expenses, as authorized by section 1824 of such title: *Provided*, That the unobligated balances including retained earnings of the direct loans revolving fund shall hereafter be available for transfer to the loan guarantee revolving fund in such amounts as may be necessary to provide for the foregoing expenses and the Administrator of Veterans' Affairs shall not be required to pay interest on amounts so transferred after the time of such transfer."

Because of the uncontrollable nature of expenditures in the loan guarantee program, we are again requesting that the limitation on expenditures be removed. In the past years expenditure limitations have resulted in the deferments of payment of claims and property acquisitions, and produced numerous operating problems. It is also proposed to continue the authority for transfer of retained earnings and other additional unobligated balances, as needed, from the direct loan revolving fund to the loan guarantee revolving fund.

This request is made because revenues from sales of vendee accounts are dependent on market conditions which will exist some time in the future and cannot be predicted precisely. In the past, there have been periods when it has been necessary to postpone payments from the fund because the timing of sales of loans did not coincide with the need for funds to pay current obligations. This has occurred even though revenues for the whole year met funding needs. The authority to transfer excess funds will provide flexibility in the operation of the program and permit payment of obligations when due.

PROGRAM ACCOMPLISHMENTS

Since the beginning of the loan guarantee program in 1944, the Veterans' Administration has guaranteed about 6.5 million home, farm, and business loans made by private lenders to World War II and Korean conflict veterans.

The program has been, however, mainly a home-loan program. Nearly 6.2 million of the total were home loans amounting to about $58 billion. In addition, 39,817 former direct loans amounting to $398.8 million, have been sold with a VA guarantee. Thus, a total of 6,504,998 loans amounting to $59 billion have been guaranteed or insured. Of the 6.5 million loans guaranteed or insured, 2.7 million have been repaid in full. This represents about 92 percent of the business loans, 81 percent of the farm loans, and 39 percent of the home loans. The smaller percentage of repaid home loans is due mainly to longer maturities on this type loan.

From the beginning of the loan guarantee program through June 1964, lenders have reported 1,317,764 defaults on GI home, farm, and business loans. In most cases these defaults have been cured and claims averted by arranging with veterans to pay the delinquencies, by modifying the terms of repayment, or by arranging for the disposition of the property without a claim payment. Through June 30, 1964, these efforts to restore defaulted loans to good standing have been successful in about 84 percent of the cases reported.

Expenditures for the loan guarantee program are primarily related to the number of claims submitted by holders of loans under the guarantee or insurance provisions of the law.

Claims under the guarantee or insurance provisions have been paid on 2.4 percent of the total loans, guaranteed or insured. Home loans have proven to be somewhat better risks than farm or business loans. Only 2.3 percent of the home loans guaranteed have resulted in claims compared to 3.2 percent of the farm loans and 6.4 percent of the business loans.

The VA's liability, as a guarantor of a loan, is limited to that amount which has the same percentage relationship to the unpaid indebtedness that the original amount of guarantee bore to the original amount of the loan. In other words, as payments are received and credited to reduce the balance of the loan, a proportionate reduction takes place in the amount of the guarantee. For example, an $8,000 home loan guaranteed for 60 percent, or $4,800, when reduced by payments to $6,000 is protected by a guarantee amounting to $3,600, or 60 percent, the same percentage of the loan which was originally guaranteed. The contingent liability as of June 30, 1964, was $16.2 billion.

Funds have been provided through fiscal year 1964 for the expenses of the program from the following sources:

| | |
|---|---|
| By appropriation (prior to establishment of the loan guarantee revolving funds) | $730,150,446 |
| Receipts from operations since establishment of the loan guarantee revolving fund | 682,990,929 |
| Transfers from the direct-loan fund | 233,871,000 |
| Total availability | 1,647,012,375 |
| Less unobligated balance | −17,488,175 |
| Total expenditures | 1,629,524,200 |

Although total appropriations were $730.2 million, deposits to the general fund of the Treasury, as a result of operations prior to July 1, 1961, were $208.8 million. These receipts were not available for expenditures, but had to be returned to the Treasury and all expenditures were made from appropriations.

Total receipts from operations through June 1964 were as follows:

| | |
|---|---|
| Prior to establishment of loan guarantee revolving fund | $208,815,350 |
| After establishment of loan guarantee revolving fund, July 1, 1961 | 682,990,929 |
| Total | 891,806,276 |

Total funds expended were as follows:

| | |
|---|---|
| Payment of claims and acquisition of properties | $1,404,139,078 |
| Acquisition of loans, property selling, and miscellaneous expenses | 225,385,122 |
| Total expenditures | 1,629,524,200 |

The above figures indicate that total expenditures exceeded receipts from operations by $737.7 million through June 30, 1964. Of this amount, $696.4 million is represented by assets as follows: Loans receivable, $441.8 million; real property owned, $219.4 million; and veterans' indebtedness, $35.2. The remaining $41.3 represents a net loss to the fund.

### PROGRAM EXPENDITURES

The loan guarantee fund requirements in fiscal year 1965 are expected to be $368.8 million or $13.5 million more than they were in fiscal year 1964.

The fiscal year 1966 requirements are expected to be $360 million or $8.8 million less than in fiscal year 1965.

The following table summarizes the actual and estimated significant items of cost:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Capital outlay: | | | |
| Real property acquired | $264,660,697 | $273,000,000 | $265,000,000 |
| Claims paid | 24,501,916 | 24,500,000 | 24,000,000 |
| Repurchase of loans sold | 13,495,585 | 16,500,000 | 17,000,000 |
| Loans acquired | 4,785,630 | 7,600,000 | 5,350,000 |
| Capital improvements to acquired properties | 5,419,316 | 5,900,000 | 5,000,000 |
| Cash advances—vendee loans | 512,588 | 600,000 | 650,000 |
| Total | 313,375,732 | 328,100,000 | 317,000,000 |
| Operating expenses: | | | |
| Property expense | 24,410,427 | 23,279,000 | 24,400,000 |
| Property sales expense | 17,527,270 | 17,400,000 | 18,000,000 |
| Commission on sale of participations, Government mortgage liquidation trust | | 21,000 | 600,000 |
| Total | 41,937,697 | 40,700,000 | 43,000,000 |
| Total obligations | 355,313,429 | 368,800,000 | 360,000,000 |

*Real property acquired.*—Private lenders who have acquired property as a result of foreclosure on defaulted guaranteed or insured loans may elect to convey that property to the Veterans Administration. The table following reflects this activity:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of properties acquired | 24,125 | 24,375 | 23,660 |
| Average cost per acquisition | $10,970 | $11,200 | $11,200 |
| Total cost | $264,660,697 | $273,000,000 | $265,000,000 |

*Claims paid.*—These payments are made to lenders in accordance with the VA guarantee contract and represents the difference between the amount owed by the veteran on a defaulted loan and the value of the foreclosed property (as established by VA). These payments are in addition to property acquisition cost shown above:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of claims | 24,604 | 24,500 | 24,000 |
| Average cost per payment | $996 | $1,000 | $1,000 |
| Total cost | $24,501,916 | $24,500,000 | $24,000,000 |

*Repurchase of loans sold.*—Pursuant to VA Regulation 4600, dated March 22, 1962, the Administrator sells mortgage loans, which have been created incident to the sale of VA-acquired properties, with full recourse in the event of default:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of loans repurchased | 1,236 | 1,500 | 1,550 |
| Average cost per repurchase | $10,919 | $11,000 | $11,000 |
| Total cost | $13,495,585 | $16,500,000 | $17,000,000 |

*Loans acquired.*—Guaranteed or insured loans in a default status may be purchased by the Administrator to avoid foreclosure when it is felt that temporary forebearance will allow the veteran borrowers to cure the default:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of loans acquired | 425 | 600 | 425 |
| Average cost per acquisition | $11,260 | $12,500 | $12,500 |
| Total cost | $4,785,630 | $7,600,000 | $5,350,000 |

*Capital improvements to acquired properties.*—After conveyance of the property to the Veterans Administration, repairs are often necessary to place the property in salable condition. To the extent that such repairs increase the book value of the property, i.e., improvements of a permanent nature, additions, alterations, etc., the cost is capitalized:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of property improvements | 22,761 | 23,600 | 20,000 |
| Average cost per improvement | $238 | $250 | $250 |
| Total cost | $5,419,315 | $5,900,000 | $5,000,000 |

*Cash advantages—Vendee loans.*—Small cash loans are occasionally made to the borrower to cover minor tax deficiencies, etc. These amounts are added to the current vendee loan balance; $512,588 was used for this purpose in fiscal year 1964, and it is estimated that $600,000 will be required in fiscal year 1965 and $650,000 in fiscal year 1966.

*Property expense.*—The cost of ownership to VA of acquired properties is financed from this fund. These costs include local real estate taxes, services performed by management brokers, and maintenance of the property. It also includes the cost of initial cleanup and repairs to properties required to place them in salable condition but which are not addded to the book value of the property.

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Average number of properties | 21,823 | 19,796 | 19,511 |
| Average cost per property | $1,119 | $1,175 | $1,250 |
| Total cost | $24,410,427 | $23,279,000 | $24,400,000 |

*Sales expense.*—This item consists principally of brokers fees and advertising costs incident to the sale of acquired properties:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of sales | 29,337 | 27,800 | 29,000 |
| Average cost per sale | $597 | $625 | $625 |
| Total cost | $17,527,270 | $17,400,000 | $18,000,000 |
| Commission on sale of participations, Government mortgage liquidation trust | ---------- | $21,000 | $600,000 |

This represents that portion of the cost of marketing serial participation certificates through a nationwide group of underwriters, which is charged to Veterans Administration by the Federal National Mortgage Association or trustee for the Government mortgage liquidation trust. These costs will increase in proportion to the amount of sale of participations in the trust.

PROGRAM FINANCING

Prior to the establishment of the loan guarantee revolving fund, July 1, 1961, all expenditures, except administrative, for loan guarantee and insurance operations, authorized under title 38, United States Code, were funded from readjustment benefits appropriation. Receipts from operations were deposited to the general fund of the Treasury. However, since establishment of the fund, these receipts including proceeds from the sale of loans and properties became available to pay the expenses of the program.

Since the inception of the fund's operation, the sale of loans and other receipts have not been sufficient to meet all of the expenditure requirements of the fund. and it was necessary to supplement these sources by transfer of excess capital and earnings from the direct loan revolving fund.

The estimates for fiscal year 1966 includes $200 million to be realized from the sale of participation certificates in the Government mortgage liquidation trust and $250 million to be realized from the sale of vendee mortgage loans.

The following table indicates the amounts available for obligation at the beginning of each year as well as the source of funds becoming available during the year:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Unobligated balance, start of year | $80,951,183 | $17,488,175 | $167,659,175 |
| Receipts: | | | |
| Mortgage pool participation certificates | | 7,000,000 | 200,000,000 |
| Sale of loans | 208,132,731 | 250,000,000 | 250,000,000 |
| Loan repayments and interest income | 34,437,985 | 38,467,000 | 27,480,000 |
| Sale of properties (cash) | 13,566,984 | 13,000,000 | 12,000,000 |
| Miscellaneous receipts | 8,712,721 | 10,504,000 | 11,200,000 |
| Total receipts | 264,850,421 | 318,971,000 | 500,680,000 |
| Transfer from direct loan revolving fund | 27,000,000 | 200,000,000 | 180,000,000 |
| Total funds available | 372,801,604 | 536,459,175 | 848,339,175 |
| Less: Obligations | −355,313,429 | −368,800,000 | −360,000,000 |
| Total unobligated balance, end of year | 17,488,175 | 167,659,175 | 488,339,175 |

*Mortgage pools*

The primary purpose of mortgage pools is to provide a device for realizing cash from loans held by VA which are not readily salable and to attract new private funds not heretofore available for direct mortgage investment. In fiscal year 1965, the trustee for the Government mortgage liquidation trust (GMLT) sold $7 million in participation certificates that were secured by vendee mortgage loans with an outstanding principal balance of $17 million. The principal and interest collections on these pledged loans are transmitted monthly to the trustee. The trustee retains that part of these monthly payments needed for the annual retirement of one-tenth of the total certificates and the payment of interest semiannually.

Funds to provide for the payment of certain administrative expenses are also retained by the trustee. The balance of the monthly receipts after deductions for the items indicated above are returned to the VA.

The fiscal year 1966 estimates include an additional mortgage pool of $200 million which will require a pledge of loan balances aggregating $250 million.

The operation of the Government mortgage liquidation trust, in relation to both the loan guarantee and direct loan revolving funds, is discussed in part 4, special analysis, page 4–29.

*Sale of loans*

Vendee mortgage loans or installment contracts are established when the VA sells property that has been acquired for less than all cash. These loans are sold to private investors with the provision that they will be repurchased by VA in the case of default.

The following table summarizes this activity:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Loans sold | $208,132,731 | $250,000,000 | $250,000,000 |
| Repurchased | −13,495,585 | −16,500,000 | −17,000,000 |
| Net sales | 194,637,146 | 233,500,000 | 233,000,000 |

*Loan repayments and interest*

This item includes principal repayments on vendee loans, acquired loans and collections on veterans indebtedness. Interest income on loans owned and collections returned by the trustee, Government mortgage liquidation trust, as well as interest on VA's investment in the Government mortgage liquidation trust is also included.

The following table summarizes these items:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Principal repayments: | | | |
| Vendee loans | $9,771,769 | $11,534,000 | $6,000,000 |
| Acquired loans | 497,061 | 1,200,000 | 1,200,000 |
| Collections returned by Government mortgage liquidation trust | | 348,000 | 1,012,000 |
| Interest on loans | 22,166,820 | 23,350,000 | 17,188,000 |
| Interest on investments Government mortgage liquidation trust | | 35,000 | 80,000 |
| Collection of veterans indebtedness | 2,002,335 | 2,000,000 | 2,000,000 |
| Total | 34,437,985 | 38,467,000 | 27,480,000 |

The decline in principal repayments and interest collections in fiscal year 1966 from fiscal year 1965 is due largely to the assigment of interest and principal repayments to the Government mortgage liquidation trust. Such interest and principal repayments from loans set aside for mortgage pools are not available for purposes of the fund except to the extent that they are excess to the needs of the trust and are returned by the trustee.

*Sale of properties*

Most sales of acquired properties involve a small cash downpayment by the purchasers and the establishment of a new mortgage loan or installment contract. The following table summarizes this activity:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of properties sold | 29,337 | 27,800 | 29,000 |
| Cash proceeds | $13,566,984 | $13,000,000 | $12,000,000 |
| Vendee loans established | 321,697,377 | 309,000,000 | 322,000,000 |
| Subtotal | 335,264,361 | 322,000,000 | 334,000,000 |
| Book value of properties sold | −327,272,642 | −315,000,000 | −326,700,000 |
| Net gain from sale of properties | 7,991,719 | 7,000,000 | 7,300,000 |

*Miscellaneous receipts*

Total receipts provided by operations during fiscal year 1966 are estimated at $500.7 million of which approximately 2 percent are provided by miscellaneous receipts. The following table summarizes these items:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Rental and other receivable | $5,106,348 | $6,300,000 | $7,000,000 |
| Premiums on loans sold | 3,174,986 | 3,750,000 | 3,750,000 |
| Premium on sale of participations | | 4,000 | |
| Other repayments | 431,387 | 450,000 | 450,000 |
| Total | 8,712,721 | 10,504,000 | 11,200,000 |

PROGRAM CONDITION

The program expenditure and financing transactions outlined in the preceding pages will result in the program condition of the loan guarantee revolving fund, as follows:

| | 1964 actual | 1955 estimate | 1966 estimate |
|---|---|---|---|
| Assets: | | | |
| Treasury balance | $36,773,368 | $188,574,000 | $562,457,000 |
| Accounts receivable, net | 5,420,913 | 4,606,000 | 4,621,000 |
| Receivables from trustee, Government mortgage liquidation trust | | 524,000 | 11,262,000 |
| Advance for bidding at public sales | 73,251 | 65,000 | 70,000 |
| Loans receivable, net | 441,725,319 | 467,204,000 | 313,174,000 |
| Veterans indebtedness | 35,157,388 | 30,599,000 | 26,785,000 |
| Real property owned or in process of acquiring title | 219,421,235 | 225,000,000 | 210,714,000 |
| Total assets | 738,571,474 | 916,572,000 | 1,069,083,000 |
| Liabilities: Current | 24,706,106 | 26,044,000 | 30,000,000 |
| Government equity: | | | |
| Non-interest-bearing capital: | | | |
| Start of year | 728,205,613 | 755,206,000 | 955,206,000 |
| Transfer from direct loan revolving fund (Public Law 88-507) | 27,000,000 | 200,000,000 | 180,000,000 |
| End of year | 755,205,613 | 955,206,000 | 1,135,206,000 |
| Deficit, end of year | −41,340,245 | −64,678,000 | −96,123,000 |
| Total Government equity | 713,865,368 | 890,528,000 | 1,039,083,000 |
| Total liabilities and Government equity | 738,571,474 | 916,572,000 | 1,069,083,000 |

The following is an explanation of line items contained in the table of "Program condition":

*Assets*

*Treasury balance.*—The Treasury balance represents the amount available with the Treasury for disbursements. Actual year balance agrees with the amount shown in the Treasury Department's combined statement.

*Accounts receivable, net.*—This item includes the following:

(*a*) Accrued interest which represents interest currently accrued on loans and advances to veterans, vendee accounts, and veterans liability accounts.

(*b*) Accrued rent on property owned.

(*c*) Miscellaneous receivables include rent due from former tenants, deficiencies from liquidated vendee accounts, and deficiencies on loans transferred to third parties by veterans released from liability.

(*d*) Collections in transit not reported by the Treasury as a part of the unexpended balance of the fund.

*Receivables from trustee, Government mortgage liquidation trust.*—These are the collections of principal on loans pledged to the mortgage pool which are on deposit with the trustee of the Government morkgage liquidation trust and will be used for the timely retirement of participation certificates.

*Advances for bidding at public sale.*—Funds furnished VA representatives for use in bidding at foreclosure sales of property.

*Loans receivable, net.*—This item represents the principal balance of loans outstanding after deducting future principal repayments assigned to the Government mortgage liquidation trust in return for revenues realized through the sale of mortgage participation certificates.

*Veterans indebtedness.*—This item represents amounts owed by the veteran to the Government after liquidation of the loan. An allowance has been deducted for amounts estimated to be uncollectible.

*Real property owned or in process of acquiring title.*—Real property owned represents real property for which the VA has acquired absolute title while "in process" pertains to property held subject to redemption.

*Liabilities*

Current liabilities include the following:

(*a*) Borrowers' tax and insurance funds collected and held in escrow by the VA for the purpose of paying taxes and/or insurance on the mortgaged properties securing loans owned by VA.

(*b*) Funds collected which have been deposited and held for specific purpose pending determination of final disposition.

(*c*) Funds collected which have been deposited pending determination of the accounts to be credited.

(*d*) Disbursements in transit not reported by the Treasury as part of the expenditures of the fund.

*Government equity*

Capital transferred from the direct loan fund, prior to February 29, 1964, was changed from interest bearing to noninterest bearing by Public Law 88–274. Government equity at the end of fiscal year 1966 will be composed of $488.3 million in unobligated balances and $550.7 million in invested capital.

*Deficit, end of year*

The transactions indicated in the following table result in a net loss to program operations and, therefore, reflect a deficit condition of the fund:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Revenue | $38,440,154 | $40,787,000 | $36,330,000 |
| Less: | | | |
| Operating expenses | 41,937,697 | 40,700,000 | 43,000,000 |
| Reserve for losses | 24,549,303 | 23,425,000 | 24,775,000 |
| Net loss | 28,046,846 | 23,338,000 | 31,445,000 |
| Deficit, start of year | 13,293,000 | 41,339,846 | 64,677,846 |
| Deficit, end of year | 41,339,846 | 64,677,846 | 96,122,846 |

The deficit condition of the fund is a consequence of the guarantee or insurance of loans. Cumulatively through fiscal year 1964, $59 billion in loans had been guaranteed or insured on which the Government assumed an initial contigent liability of $31.3 billion in the event of defaults by borrowers.

Guarantee losses have been offset by interest income from loans made to purchasers of acquired property, rental income from properties owned, recoveries of debts owed by veteran borrowers, etc.

As vendee accounts and mortgage participations are sold, there is a reduction in income producing assets. The loss of interest income results in an increased deficit on VA's books. However, since VA accounting does not take into consideration the cost of money to the Government, the deficit is largely offset, Government-wide, by a reduction in the cost to the Treasury of providing capital funds.

## Insurance Programs—Operating Expenses

Mr. Evins. Turn to "Insurance," under "General operating expenses," on page 2–46. Here you are requesting a substantial increase in employment which I presume is substantially related to the enactment of Public Law 88–664.

Mr. Reporter, insert pages 2–46 through 2–52 and also the workload on 2–53.

(The material follows:)

### Insurance

The insurance program administered by the Veterans Administration had its inception in 1917 at which time yearly renewable term, known as war risk insurance, was established to provide life insurance protection for servicemen. Commencing in 1919 permanent plans of insurance were made available to veterans and servicemen through the U.S. Government life insurance (USGLI) program. A total of approximately 1,150,000 policies were issued in this program of which about 264,000 remain in force, amounting to more than $1 billion of insurance.

National service life insurance (NSLI) was authorized in October 1940 to provide insurance to men and women who served in World War II. Over 22 million policies were issued under this program, of which about 4.9 million remain in force for a total amount of approximately $32 billion of insurance.

In April 1951 two more programs were authorized. These were veterans special life insurance (VSLI) available generally to veterans without service-connected disabilities and service-disabled veterans insurance (S–DVI) available only to those with service-connected disabilities. Approximately 800,000 policies remain in force for a total of approximately $6 billion of insurance.

The legislation authorizing these programs precluded further issue of insurance under the prior USGLI and NSLI programs. The veterans special life insurance program was terminated on December 31, 1956. Only service-disabled veterans insurance is now available for issue, except for the limited reopening period of 1 year (May 1965–May 1966) authorized by Public Law 88–664 for national service life insurance.

Separate funds have been established for each of these pograms in the U.S. Treasury. Each fund is credited with its own premium and interest payments as well as other income, and each is similarly debited with its own disbursements. Claims under the U.S. Government life and national service life programs which are traceable to the extra hazards of military service are also paid by the Government. The administrative cost of these programs is borne by the Government.

There remain four life insurance programs to be administered by the Veterans' Administration, namely:

U.S. Government life insurance issued generally to World War I veterans.
National service life insurance issued generally to World War II veterans.
Veterans special life insurance issued generally to Korean conflict veterans.
Service-disabled veterans insurance issued to veterans separated from service after April 25, 1951, with a service-connected disability regardless of degree, who are otherwise insurable.

Based on total amounts of insurance in force, these programs represent the fourth largest insurance operation in the United States. With group and industrial excluded from commercial company totals, they rank third.

*Highlights*

In fiscal year 1964 $378 million was paid to beneficiaries of deceased policyholders.

In fiscal year 1964 $242 million was paid to policyholders in dividends.

Public Law 88–364 (enacted): This law, effective January 1, 1965, extends the waiver of premiums provision in all NSLI policies to cover total disability commencing after the present age limit of 60 up to the 65th birthday. It might be

noted that World War I (K) policyholders are not affected by this law because their policies already include a disability benefit without an age limit.

Public Law 88–355 (enacted): This law, also effective January 1, 1965, authorizes total disability income rider extending coverage from the present age 60 to age 65. Applications for this new rider must be made prior to the insured's 55th birthday except that a 1-year period has been granted in 1965 to all insureds whose 55th through 60th birthday falls in that calendar year. This group of eligibles may apply before January 1, 1966, or their 60th birthday, whichever comes first.

Public Law 88–664 (enacted): This law, effective May 1, 1965, is a major change in veterans insurance legislation and will have a significant impact on our insurance program. It provides two basic additional insurance benefits: (1) A new plan called modified life and (2) a limited reopening of insurance. Specifically:

*The modified life plan.*—This plan will be available to all veterans applying for insurance during the limited reopening period. It is also available on an exchange basis to our present World War II and Korean policyholders to their 60th birthday.

This is a new plan of permanent insurance to provide a level premium throughout the life of the insured at a lower premium rate than the present permanent plans, but the face value of the policy will be automatically reduced by 50 percent when the insured reaches the age of 65. The policyholder has the option at that time to restore the full amount of coverage by purchasing ordinary life insurance without medical examination.

*One-year reopening.*—This aspect is considerably more extensive and will involve three groups of veterans either having no national service life insurance or less than $10,000 of such insurance. These are (1) veterans with service-connected disabilities who meet standards of good health; (2) veterans whose service-connected disabilities alone do not permit them to meet standards of good health; and (3) veterans whose non-service-connected disabilities prevent them from buying commercial insurance.

Unlike the other forms of insurance the law requires that the administrative costs to the Government will be borne by the policyholders. This change in concept will require a more detailed analysis of the administrative cost.

We plan to implement these new laws as follows:

Approximately 1,700,000 veterans on our veterans' compensation rolls were sent information pamphlets explaining the new law and applications for insurance. Information pamphlets were also sent to approximately 2 million policyholders who presently have less than $10,000 insurance in force. All of our approximately 3 million term policyholders received information pamphlets explaining the modified life plan with their renewal notices.

Significant workload items we will be faced with are increased correspondence, underwriting actions, both medical and nonmedical, refunds of premiums for rejected applications, and maintenance of the new accounts. The modified life plan will generate significant workloads in the areas of applications for change of plan, remittances, and correspondence.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Departmental | 108 | 93 | 89 | −4 |
| Field | 1,395 | 1,235 | 1,582 | +347 |
| Total | 1,503 | 1,328 | 1,671 | +343 |
| Costs: | | | | |
| Personnel compensation | $9,110,340 | $8,568,000 | $10,582,000 | +$2,014,000 |
| Personnel benefits | 705,197 | 667,000 | 822,000 | +155,000 |
| Total personal services and benefits | 9,815,537 | 9,235,000 | 11,404,000 | +2,169,000 |
| Travel and transportation of persons | 20,517 | 68,000 | 58,000 | −10,000 |
| Net costs | 9,836,054 | 9,303,000 | 11,462,000 | +2,159,000 |

The Insurance Service activities are carried on by departmental and field activities at two stations. The distribution of employment is summarized below:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Departmental: | | | | |
| Office of Director | 6 | 7 | 7 | ---------- |
| Actuarial Section | 35 | 31 | 23 | −8 |
| Underwriting and Claims Section | 50 | 43 | 47 | +4 |
| Productivity and Standards Section | 17 | 12 | 12 | ---------- |
| Total | 108 | 93 | 89 | −4 |
| Field: | | | | |
| Office of Insurance Officer | 11 | 11 | 11 | ---------- |
| Management and Audit Staff | 88 | 75 | 70 | −5 |
| Direct Pay and Deduction and Account Sections | 764 | 730 | 710 | −20 |
| Miscellaneous Accounts and Services Section | 64 | 50 | 45 | −5 |
| Underwriting and Insurance Claims Section | 250 | 336 | 746 | +410 |
| Collections Unit | 218 | 33 | ---------- | −33 |
| Total | 1,395 | 1,235 | 1,582 | +347 |

*Departmental*

The departmental staff formulates and recommends to the Chief Benefits Director policies, plans, regulations, procedures, and standards of departmentwide application within the limits of VA-wide policies and plans pertaining to the conduct of the Government life insurance program.

Appraises, for the Chief Benefits Director, the effectiveness, efficiency, and economy of policies, regulations, procedures, and standards in implementing public laws and attaining program objectives and the significant effect of the insurance program nationally.

Reviews proposed legislation and Executive orders to determine the specific effect upon the program. Recommends changes to existing laws affecting the insurance program and participates in congressional hearings on proposed legislation when requested.

Develops long-range plans, policies, and objectives for insurance program.

*Field*

Employment requirements for all measurable activities are determined by applying work-performance standards to anticipated workloads. The standards have been validated and are kept current to insure consistency with required quality as well as improvements from procedural and computer programing changes.

The estimated workload includes, in addition to the normal requirements, the estimated increase for these new Public Laws (Public Law 88–355, Total disability income provision at age 65; Public Law 88–364, Extension of disability waiver to age 65, and Public Law 88–664, Limited reopening of insurance and the modified life plan).

Normal workload items, except for disability claims, premium information requests, and loans and surrenders are declining. These first two items continue to increase as the policyholders grow older whereas the number of loans and surrenders is estimated to follow past experience of a slight increase.

The increases in underwriting actions, correspondence, and refunds are directly attributable to the new legislation.

**The following summary gives the number of policies, and the total assets of the four insurance funds as of June 30, 1964:**

| Program | Policies in force | Value | Assets |
|---|---|---|---|
| | *Thousands* | *Millions* | *Millions* |
| U.S. Government life insurance | 264 | $1,158 | $1,077 |
| National service life insurance | 4,920 | 32,108 | 6,316 |
| Veterans special life insurance | 645 | 5,674 | 128 |
| Service-disabled veterans insurance | 57 | 496 | 5 |
| Total | 5,886 | $39,436 | $7,526 |

*Summary of major workloads*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Reinstatements | $140,232 | $135,000 | $130,000 |
| Maintenance of active accounts | 5,912,726 | 5,872,000 | 6,115,500 |
| Disability insurance claims accounts | 114,741 | 119,110 | 123,760 |
| Underwriting actions | 487,363 | 791,183 | 1,393,407 |
| Loans and surrenders | 125,636 | 131,558 | 135,465 |
| Adjustments | 885,668 | 764,000 | 727,100 |
| Correspondence | 1,274,661 | 1,251,850 | 1,333,485 |
| Remittances | 22,404,573 | 3,875,000 | |
| Premium insurance requisites (death and waiver) | 131,183 | 141,800 | 152,000 |
| Return mail | 161,102 | 159,490 | 151,800 |
| Refunds | 74,753 | 100,160 | 216,530 |

## Insurance Funds

Mr. Evins. We will turn to the insurance service, the service-disabled veteran insurance revolving fund. Who is chief of insurance, and wants to tell us about this?

Mr. Stratton. In the insurance funds, Mr. Chairman, we have the service disabled veterans, as shown here, and then the small soldiers and sailors civil relief fund, the special term insurance revolving fund, page 3–65, and then our reopened insurance fund, which is the legislation that becomes effective May 1 of this year, at which point we will start in business on a completely new program.

Mr. Evins. To get the record straight, you had better identify the various type of insurance programs. On page 3–56 you show the number of policies in force, 65,000, in that one category, and on page 3–65, which you just referred to me, you show 630,000 policies in force.

Mr. Stratton. There is a summary of these funds, Mr. Chairman, in the early part of volume II that will perhaps be briefer for the record and be more explanatory. It starts on 1–3, with the direct loan guarantee, and then goes into the veterans' special term, service disabled, and the different insurance funds. It gives a brief résumé of all of these funds, items 3, 4, and 5.

Mr. Evins. That is not enough information.

What I am trying to find out is the number of policies and the amount of different funds for each insurance program. You do not have them all in one place.

Mr. STRATTON. We do not have all of them in one place, except in volume II, 2–52, which gives the USGLI, the NSLI, the VSLI, and the S–DVI.

Mr. EVINS. 2–52?

Mr. STRATTON. Yes, sir.

Mr. EVINS. This shows the situation.

The following summary gives the number of policies and the total assets of the four insurance funds as of June 30, 1964.

It shows the USGLI with 264,000 policies in force has a value of $1,158 million, and the assets of $1,077 million.

Mr. BRICKFIELD. This is World War I insurance, the USGLI.

Mr. EVINS. That table is already on the record but we will insert it and follow it with the brief descriptions given on pages 1–4 and 1–5.

(The material follows:)

The following summary gives the number of policies, and the total assets of the four insurance funds as of June 30, 1964:

| Program | Policies in force (thousands) | Value (millions) | Assets (millions) |
|---|---|---|---|
| U.S. Government life insurance | 264 | $1,158 | $1,077 |
| National service life insurance | 4,920 | 32,108 | 6,316 |
| Veterans special term insurance | 645 | 5,674 | 128 |
| Service-disabled veterans insurance | 57 | 496 | 5 |
| Total | 5,886 | 39,436 | 7,526 |

*U.S. Government life insurance fund.*—Amounts due under the provisions of U.S. Government life insurance contracts issued to World War I veterans are payable from this fund.

*National service life insurance fund.*—Amounts due under the provisions of national service life insurance policy contracts issued to World War II veterans are payable from this fund.

*Veterans special term insurance fund.*—This fund receives premium and other collections and makes payments on nonparticipating insurance policies issued before January 1, 1957, to veterans who served in the Armed Forces subsequent to April 1951.

*Service-disabled veterans insurance fund.*—This fund receives premiums and other collections and makes payments on nonparticipating insurance policies issued to veterans who were found to be suffering from a disability or disabilities for which compensation would be payable if 10 percent or more in degree and except for which such veteran would be insurable according to standards established for qualifying, under good health provisions of the National Service Life Insurance Act of 1940, as amended.

## REOPENING OF NATIONAL SERVICE LIFE INSURANCE

Mr. EVINS. What does the new law provide with respect to the reopening of policies by veterans whose insurance has lapsed? Also, what does it provide with respect to those holding insurance as far as increasing the benefits is concerned?

Mr. STRATTON. Any man who is entitled to insurance who applied during a certain period can now apply even though he has had a policy before and has cashed it in or paid it up.

Mr. THOMAS. For a small fee.

Mr. DRIVER. He has to have some disability.

Mr. STRATTON. Of course, if he has less than $10,000 and also meets the eligibility requirements as far as entitlement, the basis of service, and so forth, he can increase it.

Mr. THOMAS. You charge him a small fee, too. That is the disabled. What about the nondisabled?

Mr. STRATTON. They cannot reopen. The man must have a service disability to be eligible, not a nonservice-connected.

Mr. EVINS. Only those who can receive insurance are the disabled, who can now apply?

Mr. STRATTON. Yes, sir.

Mr. EVINS. You did not answer the other part of my question. Suppose you cut your insurance in force. Can you now increase it?

Mr. STRATTON. Yes, sir, up to $10,000.

Mr. EVINS. Only if you are disabled?

Mr. STRATTON. Yes, sir. You have to meet the requirements even though you have a current policy under NSLI.

Mr. EVINS. That is a premium on health, is it not? A man maintains his health and is not disabled and he cannot get his policy increased. I think we understand what the new law provides. I do not know, but I anticipate it will not involve too much work.

Mr. DRIVER. It depends on how many there are, Mr. Evins. We anticipate there will be a pretty big workload.

Mr. THOMAS. I call attention, if I may, to page 499 in the committee print.

## VETERANS INSURANCE AND INDEMNITIES

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| 33.0 | Investments and loans, net | 50 | 50 | 60 |
| 41.0 | Grants, subsidies, and contributions | 8,750 | 8,780 | 9,278 |
| 42.0 | Insurance claims and indemnities | 18,292 | 13,156 | 8,247 |
| 99.0 | Total obligations | 27,092 | 21,986 | 17,585 |

### *Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| Operating costs, funded: | | | |
| 1. Military and naval insurance: | | | |
| (a) Payment to U.S. Government life insurance fund | 80 | 80 | 128 |
| (b) Direct payments to policyholders and beneficiaries | 2,540 | 2,440 | 2,320 |
| 2. National service life insurance: | | | |
| (a) Payment to National service life insurance | 5,970 | 6,000 | 5,950 |
| (b) Direct payments to policyholders and beneficiaries | 824 | 855 | 894 |
| 3. Service-disabled veterans' insurance fund: Payment to Service-disabled veterans' insurance fund | 2,700 | 2,700 | 3,200 |
| 4. Servicemen's indemnities: Payments to beneficiaries | 14,935 | 9,840 | 5,033 |
| 5. Other expenses | 52 | 21 | |
| Total operating costs, funded | 27,101 | 21,936 | 17,525 |

*Program and financing*—Continued

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Capital outlay: | | | |
| | 6. Acquisition of loans and liens, net | 50 | 50 | 60 |
| | 7. Payments effected by income offsets | −59 | | |
| 10 | Total program costs, funded—obligations | [1] 27,092 | 21,986 | 17,585 |
| | Financing: | | | |
| 17 | Recovery of prior year obligations (recovery of payments to U.S. Government life insurance fund) | −222 | | |
| 21 | Unobligated balance available, start of year | −5,144 | −7,626 | |
| 22, 98 | Unobligated balance transferred from "Veterans special term insurance" fund (annual appropriation act) | | | −7,000 |
| 24 | Unobligated balance available, end of year | 7,626 | | |
| | New obligational authority | 29,352 | 14,360 | 10,585 |
| | New obligational authority: | | | |
| | Current authorization: | | | |
| 40 | Appropriation | 30,200 | 13,700 | 9,900 |
| 41 | Transferred to "Readjustment benefits" (77 Stat. 443) | −1,500 | | |
| 43 | Appropriation (adjusted) | 28,700 | 13,700 | 9,900 |
| | Permanent authorization: | | | |
| 60 | Appropriation | 652 | 660 | 685 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 27,092 | 21,986 | 17,585 |
| 70 | Receipts and other offsets (items 11-17) | −222 | | |
| 71 | Obligations affecting expenditures | 26,870 | 21,986 | 17,585 |
| 72 | Obligated balance, start of year | 42 | 93 | 79 |
| 74 | Obligated balance, end of year | −93 | −79 | −64 |
| 90 | Expenditures | 26,819 | 22,000 | 17,600 |

[1] An adjustment of prior year costs in the amount of $222,000 has been excluded from program costs.

Mr. EVINS. Veterans' insurance and indemnities reads:

For military and naval insurance, national service life insurance, servicemen's indemnities, and service-disabled veterans' insurance to remain available until expended, $16,900,000, of which $7 million shall be derived from the retained earnings of the veterans' special term insurance fund.

You want to transfer this $7 million into the fund?

Mr. MONK. Yes.

Mr. EVINS. If you did transfer it into the fund, there could be other dividends?

Mr. MONK. No. This is surplus in the fund. We could either turn it back to the Treasury and increase this appropriation by $7 million, or you can transfer it over here and relieve the appropriation by $7 million. But we need the money in this veterans' insurance and indemnities.

Mr. THOMAS. By transferring it we reduce the appropriated funds by that amount.

Mr. MONK. That is right.

Mr. EVINS. What about the vocational rehabilitation revolving fund. You propose to transfer this to compensation and funds.

Mr. DRIVER. No; adjusted service certificates on 3–90.

Mr. EVINS. I am talking about 3–89.

Mr. DRIVER. We leave that where it is, sir.

Mr. EVINS. This is not to be transferred?

Mr. MONK. No. This is a revolving fund under which we advance money to trainees until they get their checks.

Mr. EVINS. Mr. Reporter, we have already discussed veterans' insurance and indemnities but we will insert the justification pages 3–20 through 3–25.

(The pages follow:)

VETERANS INSURANCE AND INDEMNITIES

This appropriation provides for—
Military and naval insurance.
National service life insurance.
Service-disabled veterans' insurance.
Servicemen's indemnities.

APPROPRIATION LANGUAGE

"For military and naval insurance, national service life insurance, servicemen's indemnities, and service-disabled veterans insurance, to remain available until expended, $16,900,000, of which $7,000,000 shall be derived from the retained earnings of the Veterans' Special Term Insurance Fund."

The proposal to transfer $7 million to this appropriation from the veterans' special term insurance fund in 1966 results from the favorable mortality experience on insurance written against that fund. Death claim payments have been well below the amount of premium and interest receipts, thereby producing an annual increase in the retained earnings of the fund. The amount of $7 million is considered surplus to the fund and it is on this basis that the transfer is proposed.

*Summary of requirements*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| 1. Military and naval insurance: | | | |
| (a) Payment to U.S. Government life insurance fund | $79,591 | $80,000 | $128,000 |
| (b) Direct payments to policyholders and beneficiaries | 2,540,171 | 2,440,000 | 2,320,000 |
| 2. National service life insurance: | | | |
| (a) Payments to National service life insurance fund | 5,969,470 | 6,000,000 | 5,950,000 |
| (b) Direct payments to insured and beneficiaries | 824,424 | 855,000 | 894,000 |
| 3. Service-disabled veterans' insurance: payment to service-disabled veterans' insurance | 2,700,000 | 2,700,000 | 3,200,000 |
| 4. Servicemen's indemnities: Payments to beneficiaries | 14,934,642 | 9,840,000 | 5,033,000 |
| 5. Other expense | 52,078 | 21,282 | |
| 6. Acquisition of loans and liens, net | 50,430 | 50,000 | 60,000 |
| 7. Less payments effected by income offset | −59,018 | | |
| Total program (obligations) | 27,091,788 | 21,986,282 | 17,585,000 |
| Unobligated balance brought forward | −5,143,849 | −7,626,282 | |
| Recovery of prior year obligations | −222,114 | | |
| Unobligated balance transferred from veterans' special term insurance fund | | | −7,000,000 |
| Unobligated balance carried forward | 7,626,282 | | |
| New obligational authority | 29,352,108 | 14,360,000 | 10,585,000 |
| Transfer to readjustment benefits | +1,500,000 | | |
| Total appropriation | 30,852,108 | 14,360,000 | 10,585,000 |
| Annual definite | 30,200,000 | 13,700,000 | 9,900,000 |
| Permanent indefinite | 652,108 | 660,000 | 685,000 |

1. *Military and naval insurance.*—Payments are made to the U.S. Government life insurance fund for death claims traceable to extra hazards of military service and for disability claims while insured was under premium waiver provisions in active military service. The following table reflects actual and estimated requirements:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Death and permanent total disability awards: | | | | |
| Number | 5 | 5 | 19 | +14 |
| Average payment | $3,551 | $3,529 | $3,529 | |
| Disability awards: | | | | |
| Number | 118 | 118 | 116 | −2 |
| Average payment | $527 | $527 | $527 | |

The number of death and permanent total disability awards are expected to increase from 5 to 19. The 1964 actual and the 1965 estimate represent the net number of transfers awarded to the fund. A review of prior year awarded cases resulted in a reversal of some earlier decisions and reverse transfers from the fund to the appropriation. The reviews are expected to be completed in 1965. The 1966 estimate is for the normal number of transfers to the fund.

Direct payments are made to veterans and their beneficiaries for total and permanent disability and death which occurred under war risk insurance that was available during World War I. Disability payments of $5.75 per month per $1,000 of insurance held are made to eligible veterans for as long as the disability shall continue. Upon the death of a veteran receiving payments for disability, the remaining value of the policy is paid to the beneficiary as a death award. Actual and estimated requirements are:

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Disability awards: | | | | |
| Average number | 5,164 | 4,935 | 4,684 | −251 |
| Average payment | 491 | 491 | 491 | |
| Death awards: | | | | |
| Number | 7 | 27 | 32 | +5 |
| Average payment | $627 | $625 | $625 | |

The decline in the average number of disability awards is expected to continue as veterans having war risk insurance decline. The increase in the number of death awards is expected to continue due to the increasing average age of veterans who have disability awards under the War Risk Insurance Act.

2. *National service life insurance.*—This appropriation pay certain expenses of the national service life insurance fund and receives premiums and pays claims on nonparticipating insurance policies issued to certain disabled veterans of World War II. Authorization for use of premium receipts for the payment of claims is provided by 38 U.S. Code 719(b).

Payments are made to the national service life insurance fund for death claims traceable to extra hazards of service in an amount when added to the reserve of the policy is equal to the actuarial value of the claim. In the event of total disability traceable to the extra hazard of service the amount transferred will be sufficient to meet the current payments from the fund. In addition payments are made for gratuitous insurance issued aviation cadets, illegitimate children, and certain persons who were unable to make application for national service life insurance. The fund is also reimbursed when recovery of erroneous pay-

ments or overpayments is waived and for death claims on policies under waiver of premium while the insured is on active military duty. The following table reflects actual and estimated activity.

| Description | Average payment per case 1964 | Caseload | | |
|---|---|---|---|---|
| | | 1964 actual | 1965 estimate | 1966 estimate |
| Claims for extra hazards of service: | | | | |
| (a) Death awards | $6,665 | 231 | 208 | 195 |
| (b) Disability awards | 161 | 13,500 | 14,500 | 16,440 |
| Gratuitous insurance | 5,271 | 222 | 246 | 190 |
| Waiver of overpayments | 2,533 | 100 | 40 | 20 |
| Death while under waiver of premiums | 8,395 | 100 | 105 | 113 |

The number of death awards show a decline as the number of veterans with critical disabilities attributable to extra hazards of military service decrease in number. The disability awards show an increase due to the increasing age of World War II veterans with service-incurred disabilities. The 1965 estimated increase in the number of gratuitous insurance cases is attributed to the awards to illegitimate children who were otherwise eligible. Most of these cases are expected to be completed in 1965 after which there should be a continued downward trend in the gratuitous insurance caseload. The number of erroneous or overpayments are expected to decrease considerably as efforts are made to reduce the number of errors. The increasing average age of servicemen who have premiums waived under the provisions of section 724, Title 38 U.S.C., results in a slight increase in the expected death rate among these servicemen.

Direct payments are made to veterans and their beneficiaries on nonparticipating policies issued to World War II veterans with service-connected disabilities. Claims may also be paid in cases where: (1) Applicants for insurance were rejected for medical reasons and subsequently died in the line of duty; (2) deaths occurred after application but before effective date of the policy; (3) insurance was discontinued because the insured was discharged to accept a commission, was absent without leave, or was court-martialed; and (4) policyholders terminated their insurance for the cash value or matured endowments. The following table reflects actual and estimated activity through 1966.

| Description | Average payment per case 1964 | Caseload | | |
|---|---|---|---|---|
| | | 1964 actual | 1965 estimate | 1966 estimate |
| Claims on nonparticipating national service life insurance: | | | | |
| (a) Death awards | $4,090 | 85 | 90 | 96 |
| (b) Disability awards | 463 | 234 | 269 | 312 |
| Claims from applicant rejected for medical reasons who dies in line of duty | 300 | 202 | 194 | 187 |
| Claims where applicant died between date of application and effective date | 516 | 220 | 204 | 184 |
| Claims on discontinued insurance | 493 | 265 | 257 | 249 |
| Cash surrenders and matured endowments | 2,358 | 27 | 30 | 34 |

The increase in death and disability awards among veterans with this type of insurance, whose partial disability was service incurred during World War II, is due to their advancing age and infirmities. A little over 6,000 policyholders have this type of nonparticipating national service life insurance. The number of claims received from applicants rejected for medical reasons and who died in line of duty continues the downward trend of the past years. Claims where applicant died between date of application and effective date of insurance and claims on discontinued insurance likewise reflect the normal downward trend as the number of eligible veterans under these provisions decrease in number. The cash surrenders and matured endowments show a small and continued increase

as these nonparticipating World War II national service life insurance policies mature.

3. *Service-disabled veterans insurance.*—Payments are made to the service-disabled veterans insurance fund to supplement the premium and other receipts of the fund in amounts necessary to pay claims on insurance policies issued to veterans with service-connected disabilities but who were otherwise insurable. Payments will be required in greater amounts each year as the number of claims increase due to the larger number of policies in force each year.

4. *Servicemen's indemnities.*—Benefit payments are made to beneficiaries of servicemen who died prior to January 1, 1957, while on active service or within a period of 120 days after separation from active service. Payments are in the amount of $10,000 less any National Service Life and/or U.S. Government life insurance carried by the deceased. Beneficiaries receive 120 equal installments, plus interest at the rate of 2.25 percent per year. The program will be completed on January 1, 1967. There were 15,553 average running awards in 1964. It is estimated that the average running awards will decline to 10,000 in 1965 and to 5,000 in 1966 as the program phases out.

## Service Disabled Veterans Insurance Revolving Fund

Mr. Evins. There are some good presentations here on the various insurance programs. It would be well to have some of this information in the record. On the service-disabled insurance, we shall insert pages 3–56, 3–57, and the top of page 3–58.

(The material follows:)

### Service-Disabled Veterans Insurance Revolving Fund

This revolving fund was established in 1951 as the financing mechanism for the insurance program authorized by section 620 of the National Service Life Insurance Act of 1940, as amended. The fund receives premiums and other collections and pays claims on nonparticipating insurance policies issued to veterans with service-connected disabilities but who are otherwise insurable and whose service with the Armed Forces was after April 1951. The veterans must apply in writing for the insurance within 1 year from the date the disability was determined to be service connected (38 U.S.C. 722). Total payments to veterans and beneficiaries, as of June 30, 1964, under this program exceeded $49 million.

This program is open to certain disabled veterans and is active. The number of policies in force is increasing annually. The following table shows the projected increase in the number of policies in force and the total face value of the policies:

| | June 30, 1964 | June 30, 1965 | June 30, 1966 |
|---|---|---|---|
| Number of policies in force | 56,999 | 61,000 | 65,000 |
| Amount of insurance in force | $495,440,752 | $530,700,000 | $565,500,000 |

The following table summarizes the current and estimated financial condition of the fund. The liabilities represent payments that would have to be made if the fund were dissolved as of the date indicated. The fund is operated on virtually a pay-as-you-go basis with transfers from the veterans' insurance and indemnities appropriation and any attempt to capitalize future losses would be of no practical value.

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total assets | $4,622,046 | $5,464,911 | $6,341,918 |
| Total liabilities | 31,019,659 | 35,369,100 | 39,778,500 |
| Government equity | −26,397,613 | −29,904,189 | −33,436,582 |

Of the total assets, 75 percent are invested in policy loans. The remainder is held as cash for disbursements. Operating reserves represent the cash value of policies that would have to be paid if the fund were dissolved on the dates shown. About 95 percent of the total liabilities consist of the operating reserves. Current liabilities of $1,332,414 for matured contracts payable, unearned premiums, unapplied and unassociated collections, and disbursements in transit, at June 30, 1964, represent the balance. Revenue received from premium receipts, payments from veterans' insurance and indemnities appropriation, interest on policy loans, and amounts left under optional income settlements is used for payment of death claims, matured endowments, and cash surrenders. Assets of the fund are expected to increase to $5,464,911 by 1965 and $6,341,918 by 1966. These increases are sufficient to meet the demand for policy loans and for cash disbursements only.

The program and financing statements and statements of financial condition are included below. The estimates and forecasts for these statements are based on actuarial analyses and established trends.

*Program plans*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Program: | | | |
| 1. Death claims | $6,657,941 | $7,857,528 | $8,694,217 |
| 2. Cash surrenders | 300,155 | 330,000 | 365,000 |
| 3. Matured endowments | 2,593 | 10,000 | 15,000 |
| 4. Other expense | 1,572 | 3,000 | 2,000 |
| 5. Policy loans and liens made | 1,093,121 | 1,210,058 | 1,330,000 |
| Total obligations | 8,055,382 | 9,410,586 | 10,406,217 |
| Financing: | | | |
| 1. Premiums earned | 4,473,579 | 4,850,810 | 5,156,924 |
| 2. Interest income | 122,266 | 155,897 | 186,900 |
| 3. Payment for veterans' insurance and indemnities | 2,700,000 | 2,700,000 | 3,200,000 |
| 4. Optional income settlements | 1,043,075 | 1,200,000 | 1,300,000 |
| Policy loans and liens repaid | 400,084 | 435,000 | 475,000 |
| Total revenue | 8,739,004 | 9,341,707 | 10,318,824 |
| Unobligated balance, start of year | −847,241 | −163,619 | −232,498 |
| Less unobligated balance, end of year | −163,619 | −232,498 | −319,891 |
| Total financing | 8,055,382 | 9,410,586 | 10,406,217 |

*Program*

1. Death claims are expected to increase about $1,200,000 in 1965 over 1964 and about $837,000 in 1966 over 1965.

2. Cash surrenders should increase very slightly as the size of the program increases.

3. Matured endowments are expected to be almost negligible but will show a slight increase in both 1964 and 1965.

4. Other expense represents unclassified disbursements at the close of the reporting period.

5. The following activity is projected for policy loans to be made and liens to be established:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Policy loans made | $1,083,985 | $1,200,058 | $1,319,000 |
| Policy liens established | 9,136 | 10,000 | 11,000 |
| Total | 1,093,212 | 1,210,058 | 1,330,000 |

The slightly upward trend of about $120,000 annually in policy loans is attributed to the increasing size of the program as well as the increasing cash and loan values of the policies. Policy liens are expected to remain at about the same level in 1965 and 1966.

## Soldiers' and Sailors' Civil Relief Fund

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Operating costs, funded: Claims paid on guaranteed preimiums of servicemen's commercial life insurance policies | 24 | 40 | 26 |
| | Capital outaly, funded: Claims receivable established | 3 | 5 | 5 |
| 10 | Total program costs, funded—obligations (object class 42.0) | 27 | 45 | 31 |
| | Financing: | | | |
| | Receipts and reimbursements from: | | | |
| | Non-Federal sources: | | | |
| 14 | Collection of claims receivable | −5 | −4 | −4 |
| | Recoveries of claims receivable written off | | −1 | −1 |
| 21.98 | Unobligated balance available, start of year | −64 | −41 | −1 |
| 24.98 | Unobligated balance available, end of year | 41 | 1 | |
| 40 | New obligational authority (appropriation) | | | 25 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 27 | 45 | 31 |
| 70 | Receipts and other offsets (items 11-17) | −5 | −5 | −5 |
| 71 | Obligations affecting expenditures | 23 | 40 | 26 |
| 72.98 | Obligated balance, start of year | 4 | 4 | 3 |
| 74.98 | Obligated balance, end of year | −4 | −3 | −3 |
| 90 | Expenditures | 23 | 41 | 26 |
| | Cash transactions: | | | |
| 93 | Gross expenditures | 27 | 45 | 31 |
| 94 | Applicable receipts | −5 | −5 | −5 |

Mr. Evins. On Soldiers' and Sailors' Civil Relief we will insert pages 3–61 and 3–62.

(The pages follow:)

### Soldiers' and Sailors' Civil Relief Fund

The fund finances claims that result from the guarantees of premiums due on commercial life insurance policies held by servicemen while they are in service and for 2 years after discharge (72 Stat. 487). The Government guarantees the repayment of any indebtedness not liquidated by the insured himself. Any payment by the Government on cases approved subsequent to October 6, 1942, creates a debt owed the Government by the insured. Administrative expenses are paid from the appropriation, general operating expenses.

#### APPROPRIATION LANGUAGE

"For the payment of claims as authorized by article IV of the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, $25,000, to remain available until expended."

The last appropriation to this account was made in fiscal year 1959 (Public Law 85–766). It is anticipated that present unobligated balances and additional income will fund this program only through 1965; therefore an appropriation of $25,000 will be required in 1966.

*Program plans*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Program: | | | |
| 1. Claims paid | $24,211 | $39,550 | $26,469 |
| 2. Loans—receivables established | 3,141 | 5,000 | 5,000 |
| Total obligations | 27,352 | 44,550 | 31,469 |
| Financing: | | | |
| 1. Recovery of receivable writeoffs | 306 | 1,000 | 999 |
| 2. Loans repaid | 4,215 | 4,000 | 4,000 |
| Unobligated balance, start of year | 63,851 | 41,020 | 1,470 |
| New appropriation | | | 25,000 |
| Unobligated balance, end of year | −41,020 | −1,470 | 0 |
| Total financing | 27,352 | 44,550 | 31,469 |

*Program*

1. Claims on guaranteed premiums are paid to commercial insurance companies where the servicemen failed to make premium payments which were guaranteed by the Government. They represent about 85 percent of the expenses of the fund. They are estimated to increase to approximately $40,000 in 1965 and then decline to $26,000 in 1966. This activity is indicated in the following table:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Number of settlements | 29 | 55 | 36 |
| Average cost per settlement | $943 | $810 | $874 |

In fiscal years 1965 and 1966 there are approximately 35 refund cases (Plesha) that will become claims. These cases account for the changes in the number and average cost per claim, most of which will occur in fiscal year 1965.

2. Loans receivable is a capital outlay that results from individuals becoming indebted to the Government for a claim paid on guaranteed premiums on his commercial life insurance policy.

## Veterans Special Term Insurance Revolving Fund

Mr. Evins. On veterans special term insurance we will insert pages 3–65 and 3–66.

(The pages follow:)

This revolving fund was established in 1951 as the financing mechanism for the insurance program authorized by section 621 of the National Service Life Insurance Act of 1940, as amended, for veterans who served after April 1951. The fund receives premiums and other collections and pays claims on nonparticipating insurance policies issued before January 1, 1957, to veterans who served in the Armed Forces subsequent to April 1951 and who applied for coverage within 120 days after separation from service (38 U.S.C., sec. 723). Over $116 million in benefits have been paid to policyholders and beneficiaries from the fund. Policyholders were given the right to convert to a permanent plan of insurance or to a new form of term insurance which may not be renewed beyond age 50 but which costs less than the unlimited term insurance (72 Stat. 1716). Those who converted to a permanent plan of insurance acquired the right to purchase total

disability income coverage with an additional premium and subsequently were entitled to borrow up to 94 percent of the cash value of the new policy.

The following table reflects the projected decrease in the number of policies in force and the face value of the policies:

| | June 30, 1964 | June 30, 1965 | June 30, 1966 |
|---|---|---|---|
| Number of policies in force | 645,298 | 637,000 | 630,000 |
| Amount of insurance in force | $5,674,079,311 | $5,596,000,000 | $5,525,000,000 |

The following table summarizes the current and estimated financial condition of the fund:

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| Total assets | $127,634,704 | $153,137,000 | $173,649,000 |
| Total liabilities | 118,980,298 | 142,975,000 | 167,035,000 |
| Retained earnings | 8,654,406 | 10,162,000 | 6,614,000 |

Of the total assets, 99 percent are invested in interest-bearing U.S. securities and policy loans. Operating reserves actuarially determined to assure payment of all future benefits such as cash values of policies, disability benefits, and future installments on matured contracts (optional income settlements) represent 93.5 percent of the fund's total liabilities. Current liabilities of $9,327,000 for matured contracts payable, unapplied and unassociated collections, unearned premiums, and disbursements in transit, at June 30, 1964, represent the balance. Revenue received from premium receipts, interest on investments, and amounts left under optional income settlements is used for payment of death and disability claims, cash surrenders, and setting up required operating reserves. Also as of June 30, 1964, such revenue remaining in the fund as retained earnings amounted to $8,655,000. Assets of the fund are expected to increase to $153,137,000 by 1965 and to $173,649,000 by 1966. These increases in assets are due to income excess overpayments for the current and budget years.

The program and financing statements and statements of program condition are included below. The estimates and forecasts for these statements are based on actuarial analyses and established trends.

*Program plans*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program: | | | |
| 1. Death claims | $8,179,187 | $8,866,726 | $9,436,000 |
| 2. Disability claims | 130,170 | 164,000 | 185,000 |
| 3. Cash surrenders | 1,026,823 | 1,080,000 | 1,216,000 |
| 4. Dividends | 9,817,187 | ---------- | ---------- |
| 5. Payment to "General operating expenses" appropriation (75 Stat. 495) | 185,442 | ---------- | ---------- |
| 6. Policy loans and liens made | 1,698,391 | 2,116,000 | 2,516,000 |
| Total obligations | 21,037,200 | 12,226,726 | 13,353,000 |
| Financing: | | | |
| 1. Premiums earned | 30,250,377 | 30,735,705 | 31,135,000 |
| 2. Interest on U.S. securities | 3,691,177 | 4,704,000 | 5,440,000 |
| 3. Other interest income | 100,618 | 105,000 | 110,000 |
| 4. Optional income settlements | 1,614,175 | 1,700,000 | 1,825,000 |
| 5. Policy loans and liens repaid | 330,240 | 1,708,767 | 1,915,000 |
| Total revenue | 35,986,587 | 38,953,472 | 40,425,000 |
| Unobligated balance, start of year | 100,170,867 | 115,120,254 | 140,197,000 |
| Unobligated balance transferred to (proposed): | | | |
| Veterans reopened insurance fund (revolving) | ---------- | 1,650,000 | ---------- |
| "Veterans insurance and indemnities" appropriation | ---------- | ---------- | 7,000,000 |
| Less unobligated balance, end of year (−) | −115,120,254 | −140,197,000 | −160,269,000 |
| Total financing | 21,037,200 | 12,226,726 | 13,353,000 |

*Program*

1. Death claims are expected to increase about $688,000 in 1965 over 1964 and another $569,000 in 1966 over 1965.

2. Disability claims will increase by approximately $34,000 in 1965 and by $21,000 in 1966.

3. Cash surrenders are projected at a little over $1 million in 1965 and 1966 which is about the same level as 1964.

4. The remainder of the special dividend (Public Law 87–223) was paid in 1964.

5. The cost incurred in paying the remainder of the special dividend in 1964 was transferred to the "General operating expenses" appropriation (75 Stat. 495).

6. The following activity is projected for policy loans to be made and liens to be established:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Policy loans made | $1,682,862 | $2,100,000 | $2,500,000 |
| Policy liens established | 15,529 | 16,000 | 16,000 |

Policy loans made are estimated in an upward trend of about $400,000 and for each of the fiscal years 1965 and 1966. This annual increase is attributed to the increasing cash and loan values of the insurance policies and to the economic needs of this age group of policyholders. The policy liens established should remain at about the same level for all 3 years.

## Veterans Reopened Insurance Fund

Mr. Evins. On the reopened insurance fund insert pages 3–71 through 3–75.

(The pages follow:)

### Veterans Reopened Insurance Fund

This revolving fund (proposed) finances payment of claims and administrative costs on nonparticipating insurance policies issued after April 30, 1965, and prior to May 4, 1966, under the three insurance programs—veterans service-disabled standard insurance, veterans service-disabled rated insurance, and non-service-disabled insurance—authorized by section 725 of the National Service Life Insurance Act of 1940, as amended (38 U.S.C. 725(b)(c)).

Each program is self-contained and to insure that each is self-sustaining, as required by law, premiums may be adjusted at intervals of not less than 2 years under the service-disabled standard insurance program, and as determined to be necessary under the other two programs. Separate accounting and actuarial records must be maintained for the three programs for the purpose of determining the actual program costs and to provide the basis for adjusting each program premium rate independently.

The service-disabled standard insurance program finances payment of claims on insurance policies issued to veterans with service-connected disabilities, but who were otherwise insurable according to established good health standards. The number of policies and amount of insurance in force in this program is estimated as follows:

| | June 30, 1965 | June 30, 1966 |
|---|---|---|
| Number of policies | 125,000 | 395,000 |
| Insurance in force | $1,110,000,000 | $3,477,000,000 |

The service-disabled rated insurance program finances payment of claims on insurance issued to veterans with service-connected disabilities who do not qualify for insurance at standard premium rates solely because of their service-incurred disability. The number of policies and the amount of insurance in force under this program is estimated as follows:

| | June 30, 1965 | June 30, 1966 |
|---|---|---|
| Number of policies | 40,000 | 100,000 |
| Insurance in force | $344,000,000 | $848,000,000 |

A greater number of claims is expected in this program than in the service-disabled standard insurance because of the higher mortality rate associable with rated policies.

The non-service-disabled insurance program finances payment of claims on insurance issued to veterans with non-service-incurred disabilities who are unable to obtain commercial insurance even at substandard rates. The number of policies and the amount of insurance in force under this program is estimated as follows:

| | June 30, 1965 | June 30, 1966 |
|---|---|---|
| Number of policies | 2,000 | 5,000 |
| Amount of insurance | $17,000,000 | $43,000,000 |

The mortality rate under this program will be exceptionally high because of the short average life expectancy of the insureds.

Amounts collected from policyholders for administrative expenses are credited to the service charge program. Payments are made under this program to the appropriation, "General operating expenses," and to the "General fund receipts" in the Treasury. It is estimated that the amount of administrative cost premiums collected through 1966 will be insufficient to cover administrative costs. The sum of $1,650,000 is being advanced (proposed) from the veterans' special term insurance fund as initial capital. This amount, with interest, must be repaid to the "General fund receipts" in the Treasury. Administrative cost premium collections in future years will be sufficient to repay the cash advance and allow the program to operate on a self-sustaining basis.

Although shown in greater detail on later pages, the following table summarizes the estimated financial condition of the veterans reopened insurance fund.

| | 1965 estimated | 1966 estimated |
|---|---|---|
| Total assets | $2,876,000 | $26,888,000 |
| Total liabilities | 2,778,000 | 29,484,000 |
| Government equity | 98,000 | −2,606,000 |

Operating reserves, actuarially determined to assure payment of all future benefits such as cash values of policies, disability benefits, and future installments on matured contracts, represent over 67 percent of almost $20 million of the fund's total liabilities in 1966. Current liabilities of over $9 million for matured contracts payable, unearned premiums paid in advance, and disbursements in transit represent the balance. The total assets of the fund are expected to increase to almost $27 million in 1966. However, the operating reserves requirements will leave the fund with a deficit of $2.6 million in 1966.

The assets of the fund will be invested largely in Treasury interest-bearing securities and in policy loans.

The operations of the insurance programs will be financed from premium receipts and interest income from investments. It is expected that premiums and interest income will be sufficient to pay death and disability claims and to set up necessary reserves.

*Program plans*

| | 1965 estimated | 1966 estimated |
|---|---|---|
| Program: | | |
| 1. Service-disabled standard insurance: | | |
| (a) Death claims | $610,000 | $7,528,000 |
| (b) Disability claims | | 9,000 |
| (c) Other expense | | 3,000 |
| 2. Service-disabled rated insurance: | | |
| Death claims | 472,000 | 5,690,000 |
| 3. Nonservice-disabled insurance: | | |
| Death claims | 92,000 | 812,000 |
| 4. Interest payment to Treasury | 9,000 | 57,000 |
| 5. Payment to "General operating expenses" appropriation | 1,650,000 | 4,000,000 |
| Total obligations | 2,833,000 | 18,099,000 |
| Financing: | | |
| 1. Interest on investments (U.S. securities) | | 461,000 |
| 2. Insurance premiums | 2,601,000 | 30,798,000 |
| 3. Optional income settlements | 159,000 | 1,043,000 |
| 4. Administrative cost premiums | 113,000 | 1,368,000 |
| Total revenue | 2,873,000 | 33,670,000 |
| Unobligated balance, start of year | | 1,690,000 |
| Unobligated balance transferred from Veterans' special term insurance fund | 1,650,000 | |
| Unobligated balance, end of year | −1,690,000 | −17,261,000 |
| Total financing | 2,833,000 | 18,099,000 |

*Program*

1. Service-disabled standard insurance:

(*a*) Death claims are expected to reach $610,000 in 1965 and $7,500,000 in 1966.

(*b*) Payments to policyholders who purchased total disability income coverage are expected to begin in 1966 and are estimated at $9,000.

(*c*) Other expense constitutes unclassified disbursements at the close of the reporting period.

2. Service-disabled rated insurance: Death claim payments to surviving beneficiaries are expected to total $472,000 in 1965 and almost $5,700,000 in 1966.

3. Non-service-disabled insurance: Death claim payments to beneficiaries are expected to reach $92,000 in 1965 and $812,000 in 1966.

*Financing*

1. An interest income of $461,000 is expected from investments in U.S. securities in 1966.

2. Premiums earned are estimated to increase from $2,600,000 in 1965 to $30,800,000 in 1966.

3. The optional income settlements are amounts retained from claims to be paid out in monthly installments at the option of the beneficiary. Amounts required to make these long-term payments become an obligation of the fund and are set aside to make such payments at the time of the initial award. These retained amounts are treated as income for the fiscal year. They are estimated to reach $1 million in 1966.

4. Administrative cost premiums are expected to increase from $113,000 in 1965 to $1,400,000 in 1966. Although inadequate to pay the cost of issuing the insurance policies in 1965 and 1966, these premiums will eventually be sufficient to repay amounts borrowed and allow the program to operate on a self-sustaining basis.

It is proposed to transfer from the unobligated balance of the veterans special term insurance fund $1,650,000 to this fund to provide initial capital. This

amount, with interest, must be repaid to the "General fund receipts" of the Treasury.

*Program condition*

| | 1965 estimate | 1966 estimate |
|---|---|---|
| Assets: | | |
| Treasury balance | $2,876,000 | $1,883,000 |
| U.S. securities (par) | | 25,000,000 |
| Accounts receivable | | 5,000 |
| Total assets | 2,876,000 | 26,888,000 |
| Liabilities: | | |
| Current | 1,186,000 | 9,627,000 |
| Operating reserves | 1,592,000 | 19,867,000 |
| Total liabilities | 2,778,000 | 29,494,000 |
| Government equity: Retained earnings or deficit | 98,000 | −2,606,000 |

*Assets*

*Treasury balance.*—The Treasury balance represents the amount available for disbursement. Estimates are based on holding a reasonable amount of cash for disbursements and at the same time making the maximum amount available for investment in securities.

*U.S. securities (par).*—The U.S. securities represent investments in special interest-bearing obligations of the United States. The Secretary of the Treasury is authorized to make such investments when the Administrator advises him of the amounts available for investment.

*Accounts receivable.*—Accounts receivable are collections in transit with Treasury and not reported as part of the unexpended balance of the fund.

*Liabilities*

*Current liabilities include.*—

(*a*) Matured contracts payable which represent amounts due beneficiaries on matured insurance policies pending issuance of the award.

(*b*) Unearned premiums which are premiums paid in advance of the reporting period.

(*c*) Disbursements in transit not reported by the Treasury as part of the expenditures of the fund.

Operating reserves are actuarially determined to assure payment of all future benefits and are classified as—

(*a*) Policy reserves.

(*b*) Premium waiver disability reserves.

(*c*) Reserve for future installments on matured contracts.

(*d*) Total disability reserves.

*Government equity.*—Retained earnings are amounts in excess of those required for payment of current liabilities and those required to be set aside for operating reserves. The deficit resulted when the cumulative earnings were insufficient for payment of current liabilities and for setting aside required amounts for operating reserves.

## National Service Life Insurance Trust Fund

Mr. Evins. Insert pages 3–76, 3–77, and 3–78 in the record.

(The pages follow:)

This fund (72 Stat. 1154) was established in 1940 as the financing mechanism for World War II servicemen's and veterans' insurance program authorized by the National Service Life Insurance Act of 1940. Over 22 million policies have been issued under this program. About $13.5 billion have been paid to policyholders and beneficiaries in the form of disability and death benefits and matured endowments and dividends. The issuance of new policies ended in 1951. Almost 5 million policies remain in force with a face value of over $32 billion. A

gradual general decline in the activity of the fund will continue as indicated in the following table:

| | June 30, 1964 | June 30, 1965 | June 30, 1966 |
|---|---|---|---|
| Number of policies in force | 4,913,197 | 4,853,000 | 4,793,000 |
| Amount of insurance in force | $32,108,292,251 | $31,700,000,000 | $31,300,000,000 |

The following table summarizes the current and estimated financial condition of the fund:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total assets | $6,316,213,828 | $6,450,717,854 | $6,710,585,854 |
| Total liabilities | 6,258,949,007 | 6,390,775,000 | 6,647,346,000 |
| Retained earnings | 57,264,821 | 59,942,854 | 63,239,854 |

Of the total assets, 99.5 percent are invested in interest-bearing U.S. securities and policy loans. Operating reserves actuarially determined to assure payment of all future benefits such as cash values of policies, disability benefits, dividends, and future installments on matured contracts (optional income settlements), represent 94.6 percent of the fund's total liabilities. Current liabilities of $337 million for dividends left on credit or deposit, matured contracts payable, and unearned premiums paid in advance at June 30, 1964, represent the balance. Revenue received from premium receipts, interest on investments, amounts left under optional income settlements, and transfers from the "Veterans insurance and indemnities" appropriation, is used for payment of death and disability claims, cash surrenders and matured endowments, dividends, and interest on dividend deposits. Also as of June 30, 1964, such revenue remaining in the fund as retained earnings amounted to $57 million. Assets of the fund are expected to increase to $6,545 million by 1965 and to $6,711 million by 1966. These increases are due to income excess over payments for the current and budget years. This trend will continue through the late 1970's.

The program and financing statements and statements of program condition are included below. The estimates and forecasts for these statements are based on actuarial analyses and established trends.

*Program plans*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program: | | | |
| 1. Death claims | $366,992,496 | $353,350,000 | $342,011,000 |
| 2. Disability claims | 1,723,858 | 1,850,000 | 1,800,000 |
| 3. Cash surrenders | 24,169,583 | 26,500,000 | 28,200,000 |
| 4. Matured endowments | 15,792,143 | 10,330,000 | 24,500,000 |
| 5. Dividends | 219,465,901 | 210,000,000 | 112,750,000 |
| 6. Interest paid on dividend deposits | 6,599,697 | 6,400,000 | 6,117,000 |
| 7. Other expense | 614,439 | 250,000 | 350,000 |
| 8. Policy loans and liens made | 94,090,204 | 91,495,529 | 89,360,000 |
| Total obligations | 729,448,321 | 700,175,529 | 605,088,000 |
| Financing: | | | |
| 1. Premiums earned | 510,631,576 | 507,048,000 | 505,837,000 |
| 2. Interest on U.S. securities | 176,471,454 | 178,362,000 | 180,877,000 |
| 3. Other interest income | 19,264,118 | 20,498,000 | 21,803,000 |
| 4. Payment from "Veterans insurance and indemnities" appropriation | 6,090,089 | 6,000,000 | 5,950,000 |
| 5. Optional income settlements | 46,335,121 | 47,700,000 | 52,140,000 |
| 6. Other income | 16,192 | 8,000 | 8,000 |
| 7. Policy loans and liens repaid | 50,759,225 | 58,626,100 | 55,545,000 |
| Total revenue and other receipts | 809,568,675 | 818,242,100 | 822,160,000 |
| Unobligated balance, start of year | 5,391,940,929 | 5,472,061,283 | 5,590,127,854 |
| Less: Unobligated balance end of year | −5,472,061,283 | −5,590,127,854 | −5,807,199,854 |
| Total financing | 729,448,321 | 700,175,529 | 605,088,000 |

*Program*

1. Death claims are estimated to decrease by approximately $13,642,000 in 1965 over 1964 and another $11,339,000 in 1966 over 1965.

2. Disability claims should remain about the same all 3 years.

3. Cash surrenders are expected to increase by about 2 million each year for the next 2 years.

4. Matured endowments should decrease by about 5 million in 1965 but more than double the following year, due to the maturity dates of in force contracts by actual calendar year count and adjusted to a fiscal year basis.

5. The large decrease in dividends to be paid in 1966 is due to approximately one-half of the fiscal year 1966 dividends being paid during January of fiscal year 1965. The gross annual dividends naturally will have a downward trend due to the number of policies maturing each successive year.

6. Interest paid on dividend deposits will have a downward trend of approximately $200,000 for the next 2 years for the same reason.

7. Other expense constitutes unclassified disbursements at the close of the reporting period.

8. Policyholders with permanent plan insurance may borrow up to 94 percent of the cash value of their policies. Liens may be established against insurance policies for policyholders indebtedness such as overdue premium payments. The following activity is projected for policy loans to be made and liens to be established:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Policy loans made | $93,379,739 | $90,775,454 | $88,640,000 |
| Policy loans established | 710,465 | 720,075 | 720,000 |
| Total | 94,090,204 | 91,495,529 | 89,360,000 |

The downward trend in policy loans made of about $2.5 million each year is attributable basically to the continued favorable economic condition as well as the decrease in the number of policies in force. Policy liens established should remain just about the same.

## U.S. Government Life Insurance Fund

Mr. Evins. Insert pages 3–83, 3–84, and 3–85 on U.S. Government life insurance.

(The pages follow:)

### U.S. Government Life Insurance Fund

This fund (72 Stat. 1161) was established in 1919 to receive premiums and pay claims on insurance issued under the provisions of the War Risk Insurance Act. Approximately 1,150,000 policies were issued under this program. Almost 260,000 policies remain in force with a face value of over $1 billion. About $2.5 billion in benefits have been paid to policyholders and beneficiaries from the fund. The gradual decline in the activity of the fund will continue as indicated in the following table:

| | June 30, 1964 | June 30, 1965 | June 30, 1966 |
|---|---|---|---|
| Number of policies in force | 264,010 | 251,000 | 241,000 |
| Amount of insurance in force | $1,157,698,768 | $1,097,000,000 | $1,054,000,000 |

Although shown in greater detail on later pages, the following table summarizes the current and estimated financial condition of the fund:

| | 1964 actual | 1956 estimate | 1966 estimate |
|---|---|---|---|
| Total assets | $1,077 595.874 | $1,052,629,094 | $1,032,322,894 |
| Total liabilities | 1,042,051,581 | 1,019,060,100 | 1,000,946,300 |
| Retained earnings | 35,544,293 | 33,568,994 | 31,376,594 |

Of the total assets, 99.6 percent are invested in interest-bearing securities and policy loans. Operating reserves, actuarially determined to assure payment of all future benefits, such as cash values of policies, disability benefits, dividends, and future installments on matured contracts (optional income settlements), represent 97.9 percent of the fund's total liabilities. Current liabilities of $22 million for dividends left on credit or deposit, matured contracts payable, unearned premiums paid in advance at June 30, 1964, and disbursements in transit represent the balance. Revenue received from premium receipts, interest on investments, amounts left under optional income settlements and transfers from the "Veterans insurance and indemnities" appropriation is used for payment of death and disability claims, cash surrenders and matured endowments, payment of dividends, interest on dividend deposits, and setting up required operating reserves. Also, as of June 30, 1964, such revenue remaining in the fund as retained earnings amounted to $36 million. Assets of the fund are expected to decrease to $1,059 million by 1965 and to $1,032 million by 1966. The decreases are due to expense excess over revenue for the next 2 years. This trend should continue for the remaining life of the fund.

The program and financing statements and statement of program condition are included below. The estimates and forecasts for these statements are based on actuarial analyses and established trends.

*Program plans*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| PROGRAM | | | |
| 1. Death claims | $48,668,094 | $48,587,000 | $50,159,000 |
| 2. Disability claims | 24,453,933 | 24,396,100 | 23,672,900 |
| 3. Cash surrenders | 3,870,727 | 3,637,500 | 3,600,000 |
| 4. Matured endowments | 5,311,095 | 4,633,000 | 3,850,000 |
| 5. Dividends | 14,615,588 | 14,500,000 | 7,700,000 |
| 6. Interest paid on dividend deposits | 426,530 | 450,000 | 455,000 |
| 7. Other expense | 22,849 | 20,000 | 20,000 |
| 8. Policy loans and liens made | 10,564,317 | 8,620,000 | 6,850,000 |
| Total obligations | 107,933,133 | 104,843,600 | 96,306,900 |
| FINANCING | | | |
| 1. Premiums earned | 14,829,669 | 15,192,604 | 14,890,000 |
| 2. Interest on securities | 34,491,198 | 34,213,008 | 33,485,574 |
| 3. Other interest income | 3,584,512 | 3,550,986 | 3,378,426 |
| 4. Payment from "Veterans insurance and indemnities" appropriation | (142,523) | 80,000 | 128,000 |
| 5. Optional income settlements | 17,249,952 | 17,233,000 | 16,922,000 |
| 6. Policy loans and liens repaid | 15,606,830 | 13,122,059 | 11,148,000 |
| Total revenue | 85,619,638 | 83,391,657 | 79,952,000 |
| Unobligated balance start of year | 984,668,932 | 962,355,437 | 940,903,494 |
| Less unobligated balance end of year | 962,355,437 | 940,903,494 | 924,548,594 |
| Total financing | 107,933,133 | 104,843,600 | 96,306,900 |

*Program*

1. Death claims are estimated to show a slight decrease in 1965 over 1964 but increase by $1.5 million in 1966 over 1965.

2. Disability claims are expected to decrease slightly in 1965 and decrease by approximately $700,000 in 1966 over 1965.

3. Cash surrenders are estimated to decrease by $233,000 in 1965 over 1964 and by only a few thousand dollars in 1966 over 1965.

4. Matured endowments should decrease by about three-fourths of a million dollars each year for the next 2 years.

5. The large decrease in dividends to be paid in 1966 is due to approximately one-half of the fiscal year 1966 dividends being paid during January 1965. The gross annual dividends naturally will have a downward trend due to the number of policies maturing each successive year.

6. Interest paid on dividend deposits will have a small upward trend for the next 2 years based on the general tendency of the insureds to accumulate more dividend deposits.

7. Other expense constitutes unclassified disbursements at the close of the reporting period and should change very little in the next 2 years.

8. Policyholders with permanent plan insurance may borrow up to 94 percent of the cash value of their policies. Liens may be established against insurance policies for policyholders' indebtedness, such as overdue premium payments. The following activity is projected for new policy loans and liens:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Policy loans made | $10,391,179 | $8,500,000 | $6,750,000 |
| Policy liens established | 173,138 | 120,000 | 100,000 |

The downward trend in policy loans made of about $1¾ million dollars each year, is attributable basically to continued favorable economic conditions as well as the decrease in the number of policies in force. Policy liens established should show a slight dowwnward trend due to the decrease in the number of policies in force.

## Office Services—Operating Expenses

Mr. Evins. Under "Office services" you show a reduction of 158 in average employment. Insert pages 2–55 through 2–60.

(The pages follow:)

OFFICE SERVICES

Every "business" must have an organization to keep its books, maintain its records, handle the mail, operate its personnel program, etc. These are the functions performed by the groups which make up office services. Functionally, the Department of Veterans Benefits organizes these activities into three categories:

*Administrative services*

In central office this program is responsible for planning, advising, and directing Department policy and procedures in regard to general office administration, operations analysis, paperwork management, publications control, records management, property management, supply liaison, space utilization, space requirements. They advise top management in these office service operations which can yield such significant economies when properly administered and controlled, yet can be subject to much unneeded expense when not alertly and progressively governed.

In daily practice, these services constitute the "hub" of regional office operations. Except for personal visits, all veteran contacts start through this office, and all replies, correspondence, etc., leave the office from this point. Administrative services constitute mail receipt, mail analysis and routing, mail dispatch, veterans records files, veterans index, telephone service and other telecommunication service, publications issue and control, forms issue and control, records management, space control, etc. This complex must quickly associate any inquiry or request by a veteran with all available pertinent records and deliver it to whomever in the office is properly responsible for handling it. If no record is available locally, it must be ascertained if they are elsewhere available. Or, it may require the initial assignment of a claim number and the establishment of basic records. Just as quickly, it must receive and dispatch the reply to the veteran. This activity is also the guardian against excessive and costly forms inventories and reorders; watches over requests for new forms and the printing or reproduction costs involved therein; fosters and promotes

modern files and record controls, avoiding excessive growth and retention in valuable space of noncurrent or seldom-used file material; researches and develops up-to-date methods of quick file recovery; scrutinizes space utilization and recommends ways and means of achieving better space use and organization for less cost; and is the focal point in the office for introducing better and cheaper communication systems.

*Controller*

This office is responsible for all budgetary programs, the sound development of fund requirements and sources, and efficient and effective fund usage; the development of proper fiscal procedures, accounting policy and accounting systems designed to provide effective fund controls and disclosure; management reporting of manpower usage, work accomplishment, fiscal operations, and related financial and statistical information; fostering and developing work-measurement systems, productivity indicators, and formal means of disclosing and relating improved manpower utilization; active participation in the extension of automatic data processing applications to the fiscal and reporting activities of the Department.

The regional office counterpart is the finance officer or his equivalent. In field stations, the finance activity is local management's chief staff aid and adviser on all phases of fiscal operations, fund and allotment control, and financial management. It also has the operational responsibility for all normal fiscal operations involving audit and accounting, including that required for the complex and very active veterans housing loan programs; acceptance and deposit of all cash transactions through the medium of the agent cashier; communication of all input information, including nonfiscal, into the Department's computerized benefit payment system and the review and payment of local requirements such as employee travel, supplies, and miscellaneous services.

*Personnel*

At the central office level, this activity serves as the technical and staff adviser on all personnel matters in the Department; fosters a program of employee training to improve skills and develop talents; assists in recruitment and placement of qualified persons in job needed; maintains an active role in initiating and implementing sound and improved personnel policies and procedures; and directs the incentive awards program and its beneficial byproducts.

The field station personnel staff effectively serves local management in much the same manner in this important area of operations.

At some stations, finance and administrative services are also performed for the benefit of the Department of Medicine and Surgery. In such instances, the cost of these services is reimbursed to the Department of Veterans Benefits. This reimbursement is shown in our budget tables as a "Common service adjustment."

*Summary of requirements*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average employment: | | | | |
| Departmental | 238 | 223 | 209 | −14 |
| Field | 5,271 | 4,845 | 4,701 | −144 |
| Total | 5,509 | 5,068 | 4,910 | −158 |
| Costs: | | | | |
| Personnel compensation | $30,623,106 | $30,306,000 | $29,695,000 | −$611,000 |
| Personnel benefits | 2,391,925 | 2,319,000 | 2,290,000 | −29,000 |
| Total personal services and benefits | 33,015,031 | 32,625,000 | 31,984,000 | −641,000 |
| Travel and transportation of persons | 797,004 | 849,000 | 852,000 | +3,000 |
| Transportation of things | 279,915 | 598,000 | 298,000 | −300,000 |
| Rents, communications, and utilities | 4,067,755 | 3,841,000 | 3,769,000 | −72,000 |
| Printing and reproduction | 1,012,788 | 1,159,000 | 1,134,000 | −25,000 |
| Other services | 777,157 | 699,000 | 1,208,000 | +509,000 |
| Supplies and materials | 1,760,754 | 1,020,000 | 989,000 | −31,000 |
| Equipment | 2,575,297 | 625,000 | 200,000 | −425,000 |
| Total costs | 44,285,701 | 41,416,000 | 40,434,000 | −982,000 |
| Common service adjustment | 3,303,488 | 2,937,000 | 2,756,000 | +181,000 |
| Net costs | 40,982,213 | 38,479,000 | 37,678,000 | −801,000 |

The office services activities are performed by departmental and field staffs. The distribution of this employment is summarized in the following table:

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Departmental: | | | | |
| Administrative | 74 | 72 | 71 | −1 |
| Controller | 124 | 112 | 99 | −13 |
| Personnel | 40 | 39 | 39 | |
| Total | 238 | 223 | 209 | −14 |
| Field: | | | | |
| Office of chief | 75 | 65 | 42 | −23 |
| Administrative | 3,060 | 2,618 | 2,560 | −58 |
| Finance | 1,944 | 1,982 | 1,933 | −49 |
| Personnel | 192 | 180 | 166 | −14 |
| Total | 5,271 | 4,845 | 4,701 | −144 |

Work measurement systems have been highly refined for both field administrative and finance activities. Personnel activities do not as readily lend themselves to work measurement in terms of specific work units. Instead, personnel employment requirements are determined by application of accepted staffing ratios.

All tabulating machine activities were transferred from the Department of Veterans' Benefits to the Department of Data Management effective July 1, 1964, thereby reducing estimated average employment in office services by 381 in 1965.

The following workload estimates for administrative service are carefully geared to and consistent with the work to be performed by the substantive programs. The outgoing mail volume continues to reflect an increase but an offset in index transactions reflects a net decrease in this combined work unit. The increase in transcription transactions from 1964 represents the reassignment of additional remote control transcription units to administrative from other programs of the regional office.

Similarly, the volume of finance workload is essentially dependent upon work previously created or to be created by the substantive programs. However, conversion to computer processing of many activities continues to affect the composition of finance total workload and its volume. For example, the conversion of the recurring insurance payments to computer processing reduces veterans benefit transactions and loan accounts with some increase in ADP input transactions. All other work unit items reflect a normal decline consistent with the aniticipated overall workload of the substantive programs except receipt and disbursing transactions where the slight increase reflects a continuing increase in loan guarantee collections on portfolio loans.

During 1965 the insurance collection activities were transferred from insurance service to office services to combine similar activities under one-service jurisdiction.

In addition to use of validated work standards, employment estimates for finance and administrative in field stations reflect a continued increase in their productivity rates.

The following table reflects a summary of major workloads for both administrative and finance field activities.

*Summary of major workloads*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Administrative services: | | | | |
| Mail, messenger, and index transactions | 102,699,698 | 102,810,335 | 101,838,000 | −972,335 |
| Telecommunication transactions | 1,196,257 | 1,379,000 | 1,377,000 | −2,000 |
| Publications transactions | 79,205,555 | 88,436,000 | 87,000,000 | −1,436,000 |
| Folder lookup transactions | 34,486,651 | 34,010,000 | 33,788,000 | −222,000 |
| Correspondence transactions | 1,503,016 | 1,284,390 | 1,393,000 | +108,610 |
| Transcription transactions | 686,888 | 803,275 | 770,000 | −33,275 |
| Finance service: | | | | |
| Veterans' benefits transactions | 12,779,511 | 11,907,000 | 5,830,645 | −6,076,355 |
| Administrative services transactions | 502,016 | 501,000 | 500,430 | −570 |
| Receipt and disbursement transactions | 3,406,634 | 3,456,000 | 3,697,186 | +241,186 |
| ADP input transactions | 3,496,411 | 3,486,000 | 4,218,385 | +732,365 |
| General accounting transactions | 4,744,585 | 4,116,000 | 4,178,446 | +62,446 |
| Loan accounts | 3,112,621 | 3,201,000 | 2,023,190 | −1,177,810 |
| Remittances | | 18,052,000 | 22,632,000 | +4,580,000 |

## Grants to the Republic of the Philippines

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| 10 | Medical care and treatment of veterans (costs—obligations) (object class 41.0) | 274 | 310 | 386 |
| | Financing: | | | |
| 25 | Unobligated balance lapsing | 36 | | |
| 40 | New obligational authority (appropriation) | 310 | 310 | 386 |
| | Relation of obligations to expenditures: | | | |
| 71 | Total obligations (affecting expenditures) | 274 | 310 | 386 |
| 72 | Obligated balance, start of year | 52 | 65 | 65 |
| 74 | Obligated balance, end of year | −65 | −65 | −65 |
| 77 | Adjustments in expired accounts | −3 | | |
| 90 | Expenditures | 258 | 310 | 386 |

Mr. Evins. We will now turn to grants to the Republic of the Philippines and insert pages 3–26 and 3–27.

(The pages follow:)

### Grants to the Republic of the Philippines

This appropriation provides grants-in-aid to the Republic of the Philippines for the medical care and treatment of eligible Philippine Commonwealth Army veterans.

On July 1, 1948, the 80th Congress (Public Law 865) authorized the original funds for medical care and treatment, as well as for construction of the Veterans' Memorial Hospital. Section 632 of title 38, United States Code, as amended, modifies and extends this original authorization, and provides for reimbursement at agreed upon patient per diem rates negotiated at the beginning of each year, up to a maximum annual cost of $500,000.

#### APPROPRIATION LANGUAGE

For payment to the Republic of the Philippines of grants in accordance with sections 631 to 634 of title 38, United States Code, for expense incident to medical care and treatment of veterans, $386,000.

*Summary of requirements*

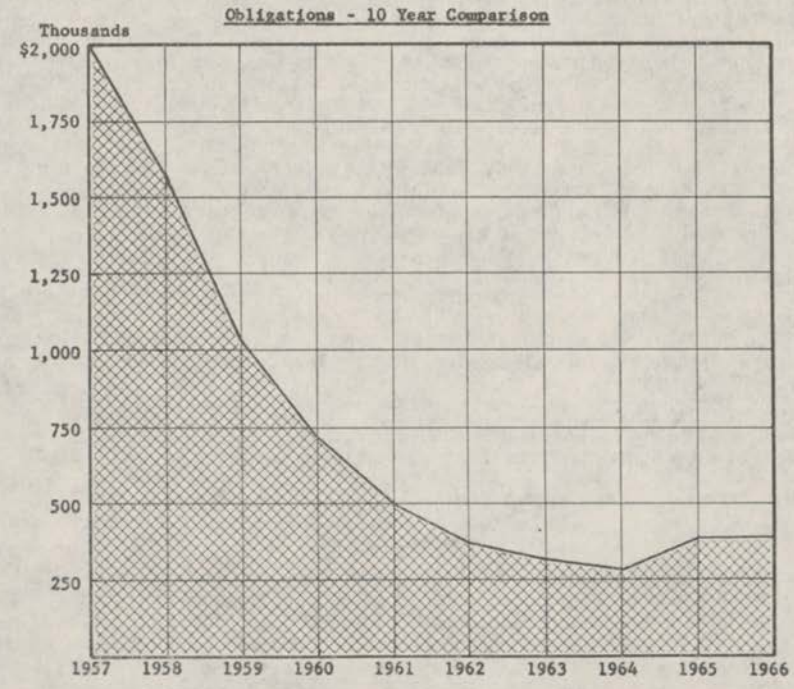
| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Appropriation | $310,000 | [1] $386,000 | $386,000 |
| Unobligated balance | −35,789 | | |
| Total costs (obligations) | 274,211 | 386,000 | 386,000 |
| Hospital care | 270,611 | 382,400 | 382,400 |
| Travel | 3,600 | 3,600 | 3,600 |
| Pertinent patient-day data: | | | |
| Average number of patients | 149 | 157 | 157 |
| Patient days | 54,614 | 57,305 | 57,305 |
| Cost per patient day | $4.95 | $6.67 | $6.67 |

[1] Includes proposed supplemental of $76,000.

The per diem rate for hospitalization of Commonwealth Army veterans is negotiated at the beginning of each fiscal year. The rate agreed to for 1965 is $6.67, and this amount has been used in the 1966 estimate.

Medical care and treatment of eligible veterans is provided by the Republic of the Philippines at the Veterans' Memorial Hospital in Manila, or at other facilities by contract. Also, treatment of leprosy cases is provided at the Central Luzon Sanitarium and at the Mindanao Central Sanitarium.

The Philippines Veterans' Memorial Hospital in Manila was constructed from U.S. grants-in-aid totaling approximately $9.4 million.




(Additional information relative to this appropriation is found in pt. 4: special analysis.)

Mr. EVINS. You want to appropriate $386,000, or more than that?

Mr. MONK. No; that is correct. We have a supplemental of $76,000 for 1965 which would make it $386,000, and in 1966 estimating $386,000 again.

Mr. THOMAS. It goes from $5.16 per day to what?

Mr. SILBERMAN. $6.67.

## DEPARTMENT OF MEDICINE AND SURGERY

Mr. EVINS. We will turn now to volume III, the Department of Medicine and Surgery, one of your big departments, and you are asking for total appropriations of $1,231,806,000 for 1966, which is an increase of $25 million over 1965.

### STATEMENT OF THE CHIEF MEDICAL DIRECTOR

The statement of the Chief Medical Director will be made a part of the record at this point.

(The statement referred to follows:)

STATEMENT OF THE CHIEF MEDICAL DIRECTOR SUPPORTING THE FISCAL YEAR 1966 BUDGET ESTIMATES FOR VA MEDICAL PROGRAMS

Mr. Chairman and gentlemen, I appreciate the opportunity to discuss with you the changes in financing and type of medical service planned for Veterans Administration medical programs in the 1966 fiscal year. The estimate you now are considering requests appropriation of $1,231,806,000 in fiscal year 1966 for financing all activities of the Department of Medicine and Surgery.

This request provides an increase of $24,718,000 over our current estimate of fiscal year 1965 expenditures. The total increased costs for our medical programs are comprised broadly of (*a*) $4,972,000 for within-grade periodic pay increases and extending Public Law 88–426 salary increases for the full fiscal year 1966, (*b*) $1,220,000 net additional appropriation requirement for increased workloads required for administration of new laws, undertaking new medical and prosthetic research studies, and activation of nursing care beds and newly constructed medical facilities, and (*c*) $18,526,000 for other program requirements mainly consisting of up-dating of equipment, increased use of utilities, drugs, and medical supplies, and establishment of new and improved medical treatment services.

The $1,231,806,000 requirement is the aggregate amount requested under three separate appropriations, all relating directly to medical treatment and care of America's veterans.

| | |
|---|---|
| Medical care | $1,177,417,000 |
| Medical and prosthetic research | 40,893,000 |
| Medical administration | 13,496,000 |
| Total, medical appropriation | 1,231,806,000 |

#### MEDICAL CARE

The net increase available for medical care, our most important activity is $23,008,000. Also available for the support of this program will be $20,500,000 expected to be saved from the closing of 11 hospitals and 4 domiciliaries. A deduction occurs as $1,698,000 which will be paid to the Department of Data Management for processing services, a payment not deducted from medical care funds in previous years. The increased fund availability, augmented by savings through management improvement will make possible expansion of medical service provided to our veteran patients.

As just stated $1,177,417,000 or 95.6 percent is requested under the "Medical care" appropriation head for operation of Veterans Administration hospitals, domiciliaries, restoration centers, nursing care beds, and out-patient clinics.

Also included in this amount are requirements for providing care and treatment to eligible veteran beneficiaries in contract hospitals, State homes, and public and private nursing homes.

Foremost of the changes planned for these programs is the provision in both VA and non-VA facilities of nursing home care benefits for eligible beneficiaries, authorized by Public Law 88–450. Also, major strides will be made in establishing improved medical services in our own facilities. An increase of more than 4,800 average daily beneficiary load is anticipated through the provision of nursing care completely or partially at VA expense in fiscal year 1966, over and above the number of beneficiaries provided such care in the current 1965 fiscal year.

It is anticipated that this increased nursing care will be provided as follows:

| | *ADNL* |
|---|---|
| VA nursing bed care | 1,160 |
| Community nursing homes | 2,740 |
| State homes | 908 |
| Total | 4,808 |

The number of patients in State nursing beds is not a net gain in number of beneficiaries in that it is derived from the change in status of an equal number of beneficiaries previously classified as occupying beds other than nursing care in State homes. However, the Federal support available is increased from a maximum of $2.50 per day to $3.50 per day by Public Law 88–450.

This anticipated increase of over 4,800 beneficiary load in the nursing home care program provides an offset to 1,352 decrease in hospital beneficiary loads resulting from the closure of 11 VA general hospitals and the major construction work scheduled at 5 neuropsychiatric hospitals. VA hospitals still will provide treatment to an estimated 108,566 average daily patient load next year, with an expected increase in the number of patients treated, resulting from faster turnover of patients treated in hospital beds currently occupied by long-term nursing-care-type patients, and better staffing and equipment. The latter, when applied to services in hospitals identified as "bottlenecks" should contribute materially to patient turnover.

It is our purpose to provide the veteran under our care with the new and improved diagnostic and treatment modalities as they are discovered and developed by medical research which goes on throughout the United States, the world, and in our own hospitals and laboratories.

This year our budget provides $5 million for initially establishing and/or expanding certain new services such as open heart surgery, dialysis for treatment of chronic kidney disease, advanced treatment of pulmonary emphysema, rehabilitation of the blinded, and remedial speech therapy. Some of these new and expanded programs will not be underway much before the end of this calendar year, and the $5 million is estimated to provide essential equipment and to support operations for only one-half of the fiscal year. It is anticipated that about $9.5 million will be required to support these same programs in fiscal year 1967.

New developments in the field of cardiac surgery make possible meeting the veteran need for this type of treatment. The numbers of veterans seeking treatment for these disorders are not generally recognized. Between 1960 and 1963, 335 open heart procedures were performed in VA hospitals. In 1964, 256 patients underwent such surgery. During the first 8 months of 1965, operations have been performed on the hearts of 300 veterans. From the standpoint of necessary diagnosis prior to surgery, 3,500 cardiac catheterization procedures have been done this year. Funds requested for 1966 will expand the facilities in our 13 open heart surgical centers.

In 1964, approximately 1,200 hospitalized veterans died of chronic kidney disease. An estimated 350 of these were candidates for dialysis treatment had it been available. Presently, 50 veterans are receiving this treatment and 70 percent of them are now engaged in gainful occupation. This life-saving and life-prolonging treatment program is expensive. It costs approximately $10,000 per year, per patient, and a properly equipped and staffed hospital, with our present level of skill and equipment, can treat only 10 to 20 patients at a time. Funds being requested will be used to bring the 12 dialysis centers now functioning or in the process of activation this fiscal year, into full operation and to make structural modifications for 7 more to be activated in fiscal year 1967. There is

reason to believe that further improvements in technique and equipment will effect reduction in the cost of this treatment.

In 1956, 21,340 veterans were discharged from our hospitals with a primary or secondary diagnosis of pulmonary emphysema, with or without accompanying chronic bronchitis. By 1963, 40,290 veterans were so discharged, representing an increase in the frequency of this diagnosis of 17 percent per year. Chronic emphysema rapidly is becoming one of our most serious and common medical problems. During the past 3 years, our research program has produced markedly improved methods of treatment, with striking reduction of disability. Funds now being requested will enable us to make these treatment methods available in 26 hospitals.

The increasing demand for rehabilitation and training of blind veterans is seriously taxing our resources. In 1960, 75 veterans received such training. In 1964, there were 80, and at the present time we have a waiting list of 109 veterans who need this care. We estimate that we should be prepared to meet a load of 250 veterans in 1970. The increased incidence of blindness can be attributed to the eye damage caused by glaucoma, diabetes, and other chronic diseases.

The growing need for corrective speech training is no less impossible. This type of treatment is directed to those veterans who have suffered brain damage from stroke or other diseases, or who have had surgical removal of their larynx for cancer. Since 1957 the number of hospitalized veterans suffering from severe brain damage has doubled, and we can expect this trend to accelerate as veterans grow older. In 1964 speech training was given to approximately 521 veterans. However, we estimate that even now there are 3,500 veterans in our hospitals who need this treatment.

A recent conference of the Surgeon General of the Public Health Service with State and territorial health officers took note of the growing health problems of chronic kidney disease and chronic diseases of the lungs. Two of the major recommendations were that increased effort be made in the solution of these problems and initiation of active programs to apply developing techniques already known to their solution. We are indeed proud that the Veterans Administration is leading in the provision of comprehensive programs of dialysis for chronic kidney disease and treatment of pulmonary emphysema.

The fiscal year ADML for the domiciliary program was expected to be reduced by 1,370 to 13,993 by closure of 4 of these facilities prior to June 30. With the enactment of Public Law 89–2, it seems likely that it may not be possible to close all four by June 30, since the time remaining in the present fiscal year after May 1 will be short, and members will not be discharged from domiciliaries other than by voluntary discharge unless suitable arrangements can be made for living outside a VA facility. A certain number, estimated from 6 to 8 percent will be transferred to nursing bed care in VA beds.

An average beneficiary load of 2,643 to be maintained in contract hospitals at VA expense is projected for next year, which represents a decline of 70 patients below 1965 levels. This decline results principally from those patients who will be transferred from the St. Elizabeths (HEW) Hospital to the new 710-bed Washington, D.C., VA general hospital, where psychiatric beds will be available.

About 6,109,000 outpatient medical visits are expected in fiscal year 1966, or 41,500 more than in the 1965 fiscal year. Of this total, about 4,881,000 visits will be to Veterans' Administration clinics and more than 1,228,000 visits will be made to fee-basis physicians participating in the hometown care program. Approximately 15 percent of the increase in VA clinic visits will be attributable to the opening of new psychiatric day treatment centers in New Orleans, La., and Syracuse, N.Y.

MEDICAL AND PROSTHETIC RESEARCH

The budget submission includes $40,893,000 for medical and prosthetic research. The increase of $3,110,000 requested over last year's appropriation is entirely for medical research. The amount requested for prosthetic research is the same as appropriated last year, $1,275,000. During the past year VA research personnel have developed a technique for external control of the heart rate and have refined the technique of using computers for the analysis of electrocardiograms which provide the physician with probable diagnosis more quickly and in many cases more accurately than is possible by the conventional technique of visual inspection.

As the evidence accumulates that certain forms of leukemia are the result of virus infection, the pioneering research which is being done by Dr. Ludwig Gross

in the Bronx VA hospital assumes an ever-increasing importance. A VA cooperative dental research program has demonstrated the value of cytological examination of exfoliated cells of the mouth in the early detection of oral cancer.

Research in the problems related to transplantation of human kidneys continues in a few VA hospitals and the VA personnel working in this program are recognized leaders in the field. Success in this research effort will make it possible for many veterans who now die prematurely of chronic kidney disease to live longer and, what is even more important, have reasonably normal and productive lives.

The current expansion of the VA medical research program is largely related to the chronic diseases which are increasing the health problems of the veteran population. During the past year, we have had the privilege of describing our research and education program to the President's Commission on Heart Disease, Cancer, and Stroke. In its report the Commission took note of the opportunities for research, education, and patient care in the VA system of hospitals and clinics, opportunities which are related to the large size of the system and to its medical school affiliation program. We were pleased that the Commission commended the VA on its program and recommended continued support. We, too, believe that the system offers unique opportunities for productive medical research and that the $3,100,000 increase requested can and will be used prudently and productively for the benefit of the veteran and the Nation.

With your permission I would like to submit for the record a brief summary of recent research achievements of the VA medical and prosthetic research program. Although brief, it contains more detail than has been given in my statement.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Slightly less than 1.1 percent, or $13,496,000, of the total appropriation request is required for administration of all agency medical programs and supportive education and training activities.

An increase of $100,000 is included in the estimate to provide an availability of $1,725,000 for postgraduate and inservice training for the department's professional, paramedical, and key administrative employees. These funds are required to successfully maintain our relationships with the Nation's medical schools, and are also vital to our objectives of recruiting and retaining high caliber treatment staff and to the continuing education of our career employees.

An increase of $465,000 is being requested for operation of the central office department and seven area medical service offices. The increases and decreases resulting in this net cost change are shown on page 2–7 of the budget submission.

Since last appearing before this committee, the area medical offices have been reduced from 37 personnel, each, to 17, and the area medical directors returned to their offices in the field. They are there as my personal representatives and charged with the following responsibilities:

1. Assurance of proper understanding and compliance with VA policies and procedural instructions.
2. Evaluation of field station operations for the Chief Medical Director.
3. Identification of problems facing field stations and facilitating their solution.
4. Assistance in maintaining optimum relations with medical schools and dean's committees.
5. Initiation of recommendations for new and/or revised policies when indicated.
6. Limited adjustment of workload and funds among field stations in their respective areas.

Their staff of 17 no longer includes specialists who previously were charged with supervision of programs in their field of special interest and competence. These responsibilities have now been assumed by program directors in central office. The staff remaining in the area offices are generalists in medical service and in management, and their supervision of medical facilities will be of general nature.

For operation of medical service activities in central office we are asking for a net increase of 33 employees. Since former responsibility and workload to the extent of 45 employees will be dropped, the net increase represents 78 new positions.

Twenty-five of these new positions are needed to carry out activities transferred to central office as a result of the reduction in personnel in the area medical offices. Ten additional are for implementation of Public Law 88–450. The

other 43 positions are distributed throughout the operating divisions of my office. It is my best judgment that this is the minimum number required to manage the operations of a medical service as large and complex as that of the Veterans Administration at this time when medical practice is changing, new programs of treatment are being introduced, and a vast program of modernization and construction of hospitals is underway. Many of the new programs such as nursing bed care, open heart surgery, hemodialysis, metabolic units, emphysema treatment units, radioisotope units, and hypervoltage radiation therapy require consultation with medical authorities; development of policies; preparation of manuals and their directives; physical modification of hospitals; determination of needed staffing, both qualitative and quantitative; recruitment and training of personnel; and the selection, evaluation, and procurement of new equipment. These activities require adequate staffing of administrative activities of the medical service to insure attainment of high quality medical service on one hand and economical operation on the other.

A major organizational change has been made in the establishment of the position of Associate Deputy Chief Medical Director, a position now occupied on an acting basis by Dr. Linus A. Zink. As Associate Deputy, Dr. Zink has primary responsibility for supervision of the nonprofessional subdivisions of the office. These are administrative services, controller, hospital construction (medical participation in the construction program), coordination and planning, and management and evaluation. At this time, with your permission, I would like to correct an error found in paragraph 4(a), page 2–12, volume III, of the narrative submission. The term "Assistant Deputy Chief Medical Director" should read "Associate Deputy Chief Medical Director." Also in the same paragraph the staff positions identified as "four GS–14 and three GS–13" should read "four GS–15 and three GS–14." The printed green sheet showing grades and titles and all dollar computations show the amendments correctly.

Under this organization, Dr. Musser, my Deputy, is primarily concerned with supervision of the professional subdivisions of the office; i.e., professional services, dental services, and research and education in medicine. His responsibility and authority, however, are not limited to these three subdivisions.

I have attempted in this statement to highlight the more significant medical program changes contemplated by the President's budget for the ensuing 1966 fiscal year. I know that this committee fully recognizes that the requested appropriation increases are necessary to maintain high quality medical service to America's veterans, whether accorded by new appropriations or by savings derived from closure of existing VA medical facilities. My staff members and I will endeavor to answer your questions.

Thank you.

### RECENT DEVELOPMENTS IN THE MEDICAL RESEARCH PROGRAM OF THE VETERANS ADMINISTRATION

While many problems remain to be solved, VA research activities in the areas of heart disease, stroke, and cancer have produced significant results. Notable VA accomplishments in these areas include the work done by a team of VA heart specialists (VAH Buffalo) who also developed the lifesaving Pacemaker. This team has now developed a new technique for slowing a damaged heart and so permitting it to function more efficiently. This new development opens the door for assistance to patients with several types of heart disease previously thought to be hopeless. It holds promise of equaling or surpassing the remarkable record of the Pacemaker device. In less than 5 years, Pacemakers have been placed in over 5,000 patients in this country, allowing these people to live normal, safe lives free from fear of sudden death or serious injury.

A new area of great potential for assistance in the attack on disease is that of computer utilization in diagnosis and analysis. The application of computers to medicine has almost unlimited possibilities. One use of computers has been in analyzing electrocardiographs. The EKG gives valuable information about the function of the heart on simple inspection by a trained physician. It has been found, however, that the computer analysis of electrocardiogram can give quicker and more accurate information and that some types of heart disease can be spotted by the computer that would be completely missed by the physician. The EKG could be transmitted by telephone from any hospital to a computer center for rapid diagnosis. The computer also recognizes changes in the EKG resulting from biochemical abnormalities in the blood secondary to chronic lung disease, such as emphysema.

Stroke victims will benefit from VA research in the area of rehabilitation of paralyzed limbs. A technique has been developed whereby patients with a paralyzed leg due to a stroke or other brain injury can walk without the usual braces or crutches. An electronic device is rigged to deliver a small electrical stimulation to the nerves that control the paralyzed muscle groups needed for walking at precisely the moment that they would be stimulated if they were working properly. This results in a normal stepping with the paralyzed leg. Since the VA cares for over 10,000 stroke victims per year, this development is of considerable importance clinically.

VA research in cancer has provided significant advances in the knowledge of diagnosis and cause of this disease.

Dr. Ludwik Gross, a VA scientist who is internationally famous for his outstanding work on viral transmission of leukemia in mice is continuing his research on the virus origin of cancer. In his laboratory at VA Hospital, Bronx, N.Y., the study of virus-producing tumors in small animals has continued to develop new information supporting the expectation that some forms of human cancer, especially leukemia, may be virus induced.

It has been estimated that cancers of the mouth comprise 5 percent of all cancers seen in the United States. Realizing that earliest possible detection of cancer is a very important lifesaving procedure, in 1959 the VA initiated a cooperative study of detection of cancer cells in the mouth in VA hospitals and outpatient clinics. The results of this research, now concluded, indicate the value of this technique as a diagnostic tool in the early detection of oral cancer. The study has received worldwide recognition and the findings are now being applied as a routine procedure in the oral examination of VA patients. Also, numerous community cancer detection programs, using this procedure, have been initiated by the Public Health Service in cooperation with local dental societies throughout the Nation.

The Veterans Administration has also been in the forefront of the development of human organ transplantation. The surgical exchange of kidneys in good working order for similar organs which have been crippled by chronic disease, is being performed in several VA hospitals at the present time. A significant number of patients who have received transplanted kidneys are still alive after 2 years. One of our investigators has made considerable progress in the transplantation of livers. Other investigators have been involved in the development of a procedure for heart transplantation. Most important is an increased knowledge of the immunologic processes that govern the acceptance or rejection by a recipient's body, or a transplanted organ. As the research budget of the VA has grown, it has been more and more oriented to solution of problems of the chronic disease in the aging veteran. However, other problems, especially mental disease, have not been overlooked.

A promising new program of research in aging was initiated during the past year. Working in collaboration with outstanding national and international scientists, the major areas in aging in which new knowledge is most needed have been identified and a series of projects in which a number of these scientists will participate have been initiated. Thus, in this important area of research, the VA is utilizing not only its own best scientific brains but also the brains of some of the world's most distinguished scientists.

Psychiatric research has long lagged behind that in other areas of medicine. About 15 years ago, the first drugs of the modern group used in the treatment of mental disease were developed. The problem of evaluating their effectiveness, in order to provide the psychiatrists and physicians with unbiased and valid information based on sufficiently large numbers of trials, has been undertaken and continues to be carried out by the VA, in a series of cooperative studies. Prior to these investigations, there were too few studies that used adequate controls and the number possible to treat in any one area was too small, so that the value of the new drugs remained in doubt. Since the VA has worked out the details of its cooperative studies, many other psychiatrists and institutions have borrowed the VA research designs and the tests developed to measure the effects of the drugs in their patients. This research alone has resulted in a doubling of the patient turnover rates in VA mental hospitals, enabling twice as many patients to be treated in the same number of beds. Since the introduction of these new effective agents, the more hazardous treatments (insulin coma, electroconvulsive, frontal lobotomy) have been largely supplanted. The use of restraints has decreased to the near-vanishing point. The once noisy, turbulent,

dangerous, closed psychiatric ward has now become a quiet, open-door community purposefully occupied in therapeutically oriented activities.

PROSTHETICS RESEARCH PROGRAM

In prosthetics research, highly significant improvements have been made in smoothness and ease of walking at a wider range of speeds for above-knee or hip-disarticulation amputees.

Northwestern University, under VA contract, developed a simple mechanical knee joint providing easy initiation of swing toward either flexion or extension but then increasing friction in a series of small steps to limit heel rise or to stop the knee from slamming into full extension just before the heel is placed on the ground for the next step. This knee will soon be in commercial production and on contract for prescription to eligible veterans. Another project has developed a swing phase control hydraulic knee to provide even smoother control over a broader range of cadences. A considerable number of freshly amputeted cases have been experimentally fitted immediately after surgery with plaster of paris dressings shaped into temporary sockets in accordance with the biomechanical principles previously developed by the VA prosthetics research program. These plaster sockets are then attached to temporary prostheses to allow walking between parallel bars within a day or so after amputation.

For more effective rehabilitation of the blind, our research is developing methods which will allow the reading of typed or printed material through the use of a pocket-sized electronic device which will translate typed or printed symbols into sound patterns. Also, a flashlight-size object detector, using a lasser-like source is now undergoing field trials.

The first issue of the Bulletin of Prosthetics Research was distributed to all VA field stations and to other interested invidividuals and organizations. That issue, emphasizing swing-phase control of above-knee prostheses, helped to bring research results rapidly to the clinicians.

## Medical and Surgery Summary Material

Mr. Evins. There is some good summary information on the Department of Medicine and Surgery beginning on page 1–2. On page 1–4 you show a decrease in average employment of 1,433. The committee wishes you would use positions instead of average employment in the future. Page 1–5 is a good summary of the various appropriations in the Department. The appropriation changes begin on 1–6. We will insert 1–2 through 1–7.

(The pages follow:)

DEPARTMENT OF MEDICINE AND SURGERY—SUMMARY

INTRODUCTION

The Department of Medicine and Surgery is one of three operating departments of the Veterans Administration—the others being the Department of Veterans Benefits and the Department of Data Management.

The Department of Medicine and Surgery is headed by a Chief Medical Director who is responsible to the Administrator of Veterans Affairs for all agency medical programs. Collectively, agency medical programs now require annual appropriations in excess of $1.2 billion.

*Appropriation structure*

The Veterans Administration is responsible for providing medical treatment and care to eligible veterans as authorized by law (title 38, United States Code). Medical program financial requirements for fiscal year 1966 are set forth in this estimate under three operating appropriations and four nonappropriated fund accounts, described as follows:

*Appropriation accounts*

1. *Medical administration and miscellaneous operating expenses (annual appropriation).*—Provides for the administration by central office staff and regional representatives of the Chief Medical Director of all medical programs

of the Veterans Administration, including a program of education and training to support the medical care programs. In the fiscal years 1964 and 1965 funds were appropriated under this account for the Office of the Assistant Administrator for Construction for administration of the agency's construction program. A change in appropriation structure is requested for fiscal year 1966 whereby monetary requirements for the Office of the Assistant Administrator for Construction are requested under the "Construction of hospital and domiciliary facilities" appropriation. This change will identify more clearly the total expenditures required for medical construction activities.

2. *Medical and prosthetic research (no year appropriation).*—Provides for a program of medical research and a program of prosthetic testing and development to support the medical care program.

3. *Medical care (annual appropriation).*—Provides for maintenance and operation of Veterans' Administration hospitals, domiciliaries, restoration centers, nursing bed care facilities, and outpatient clinics; care of beneficiaries in contract hospital and nursing home facilities not under jurisdiction of the Veterans Administration; and aid to State or territorial homes for support of veterans eligible for care by the Veterans' Administration.

*Nonappropriated accounts*

1. *Rental, maintenance, and repair of quarters.*—This account sets forth rental income and expense amounts for 128 housekeeping units located at VA Hospital, Perry Point, Md. The rental income is used to defray all operating, maintenance, repair, and modernization expenses for these quarters.

2. *Canteen service.*—This fund finances the operation of canteens at all VA hospitals and domiciliaries. These activities are under the management of the Veterans Canteen Service, established by Congress in 1946. Income from sales has made this a self-sustaining activity with any excess profits returned to the Treasury.

3. *Supply fund.*—Under a revolving fund arrangement financed by reimbursement from using appropriations, this fund provides for procurement of supplies and equipment for the entire agency, the operating expenses of the three VA supply depots, the cost of a service and reclamation program in the depots, and procurement or production and distribution of printed matter for the agency.

4. *General post fund.*—This fund consists of gifts, bequests, and proceeds of sale of property left in the care of the facilities by former beneficiaries or the general public; patient's fund balances and proceeds of sale of effects of beneficiaries who die leaving no heirs or without having otherwise disposed of their estates. Such funds are used to promote the comfort and welfare of veterans at hospitals and homes where no general appropriation is available, or where the items desired are sufficiently low on the priority list as would preclude their being provided from appropriated funds on a timely basis.

*Average employment and appropriation requirement summaries*

Comparative fiscal year average employment and appropriation requirements for the Department of Medicine and Surgery programs are shown on the following two pages.

*Summary of average employment (full-time equivalent) requirements by appropriation*

| Appropriation title | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Medical administration and miscellaneous operating expenses | 1,016 | 972 | 840 | −132 |
| Medical administration | (852) | (807) | (840) | +(33) |
| Assistant administrator for construction | (164) | (165) | [1] (−) | −(165) |
| Medical and prosthetic research | 3,029 | 3,187 | 3,366 | +179 |
| (Medical research) | (2,997) | (3,151) | (3,330) | +(179) |
| (Prosthetic research) | (32) | (36) | (36) | |
| Medical care | 129,809 | 130,841 | 129,361 | −1,480 |
| Total | 133,854 | 135,000 | 133,567 | −1,433 |

[1] Contemplates the transfer of the Office of the Assistant Administrator for Construction to the "Construction of hospital and domiciliary facilities" appropriation in fiscal year 1966.

*Summary of appropriation requirements*

| Appropriation title | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Medical administration and miscellaneous operating expenses [1] | $14,800,000 | $14,896,000 | $13,496,000 | −$1,400,000 |
| Medical Administration | 11,390,000 | 11,306,000 | 11,771,000 | +465,000 |
| Education and training | 1,585,000 | 1,625,000 | 1,725,000 | +100,000 |
| Office of the Assistant Administration for Construction | 1,825,000 | 1,965,000 | | −1,965,000 |
| Medical and prosthetic research | 33,742,000 | 37,783,000 | 40,893,000 | +3,110,000 |
| Medical research | 32,572,000 | 36,508,000 | 39,618,000 | +3,110,000 |
| Prosthetic Research | 1,170,000 | 1,275,000 | 1,275,000 | |
| Medical care | 1,091,643,000 | 1,154,159,000 | 1,177,417,000 | +23,258,000 |
| Total, Department of Medicine and Surgery | 1,140,185,000 | 1,206,838,000 | 1,231,806,000 | +24,968,000 |

[1] Contemplates transfer of the Office of the Assistant Administrator for Construction to the "Construction of hospital and domiciliary facilities" Appropriation in fiscal year 1966.

Amounts shown in the fiscal year 1965 column include all known supplemental appropriation requirements for the current fiscal year which are comprised of the following:

1. "Medical administration" and "Miscellaneous operating expenses," $696,000 for Public Law 88–426 salary rate increases.
2. "Medical and prosthetic research," $783,000 for Public Law 88–426 salary rate increases.
3. "Medical care," $38,224,000, for Public Law 88–426 salary rate increases ($29,929,000); Public Law 83–763 wage board increases ($7,500,000); increased Federal hospital reciprocal per diem reimbursement rates ($215,000); and Public Law 88–450 nursing home care payment increases to "State homes" ($580,000).

Consistent with Bureau of the Budget policy, no amount is included in the fiscal year 1966 "Medical care" appropriation request of $1,177,417,000 for the costs of Public Law 83–763 wage-rate increases that will accrue between July 1, 1964, and June 30, 1966. Supplemental appropriation requirements therefor will be transmitted separately later in the 1966 fiscal year.

*Appropriation changes for 1966*

| | Medical administration and miscellaneous operating expenses | Medical and prosthetic research | Medical care | Total |
|---|---|---|---|---|
| Public Law 88-426 salary increases and within-grade step increases | +$28,000 | +$218,000 | +$4,726,000 | +$4,972,000 |
| Workload changes | +537,000 | +2,892,000 | −1,959,000 | +1,470,000 |
| Other program requirements | −1,965,000 | | +20,491,000 | +18,526,000 |
| Total | −1,400,000 | +3,110,000 | +23,258,000 | +24,968,000 |

Of the increase requested for agency medical activities in fiscal year 1966, $4,972,000 or 19.9 percent will be required for Public Law 88–426 pay raise and within-grade step increases; $1,470,000 or 5.9 percent of the total increase relates to increased workloads required for administration of new laws, undertaking new medical and prosthetic research studies, and activation of nursing care beds and newly constructed medical facilities. The remaining $18,526,000 or 74.2 percent of the total increase will be required for other program requirements mainly comprised of initial and replacement equipment, increased usage of utilities, drugs and medical supplies, establishment of new medical treatment services, and other specified items.

Mr. THOMAS. May I make a suggestion, Mr. Evins?
Mr. EVINS. Yes.

INCREASE IN COST PER PATIENT TREATED

Mr. THOMAS. I have never seen such magnificent tables. Let him go back and show what the increase has been dollarwise for the last 5 years. Go back to 1959 or 1960 and take one of these magnificent tables and show the number of patients he has per year, the increase in appropriations, and see if you can make them jibe. I tried to do that and I got lost. He certainly had a sizable increase in both, but I think the dollar increase far exceeded the other.

Mr. EVINS. Doctor, can you tell us how much was appropriated for 1960 for the Department of Medicine and Surgery?

Dr. MCNINCH. I do not have that data in my material.

Mr. EVINS. Have you the figures for 1961?

Dr. MCNINCH. Only starting in 1964.

Mr. EVINS. That is not far enough back for much of a comparison.

Mr. THOMAS. You will have to go beyond the budget to get those figures.

Mr. EVINS. He says he does not have them.

Mr. THOMAS. They have all the information in the world. Tell them to get out the other book.

Mr. EVINS. Can anybody supply the amount of the appropriations for the Department of Medicine and Surgery for 1960 and 1961?

Mr. THOMAS. And succeeding years. Have you that information?

Mr. WISE. Only from 1964 on.

Mr. DRIVER. The figure in 1954 was $550 million, up to almost $1.2 billion in 1966. We can give you for every year in between. We will be glad to furnish that.

Mr. EVINS. We will ask someone to supply for the record at this point the appropriations for the Department of Medicine and Surgery for 1960, 1961, 1962, 1963, 1964, 1965, and 1966 so we can have a table showing the appropriations and the increase.

(The information supplied follows:)

MEDICAL CARE

*Analysis of costs*

| | VA hospitals | Patients treated | Cost per patient treated |
|---|---|---|---|
| Fiscal year: | | | |
| 1960 | $763,008,242 | 637,377 | $1,180 |
| 1961 | 822,494,381 | 664,400 | 1,219 |
| 1962 | 858,264,012 | 688,507 | 1,227 |
| 1963 | 873,348,349 | 712,937 | 1,216 |
| 1964 | 904,509,472 | 738,583 | 1,225 |
| 1965 [1] | 966,321,000 | 746,000 | 1,295 |
| 1966 [1] | 975,330,000 | 761,000 | 1,282 |

[1] Estimated.

## ANALYSIS OF COSTS

| Fiscal year | Appropriation | Adjustment to costs [1] | Total gross costs | VA hospital | VA domiciliary | Contract hospital | State homes | Outpatient | Miscellaneous benefits | Nursing home care |
|---|---|---|---|---|---|---|---|---|---|---|
| 1960 | $902,099,000 | −$5,749,399 | $896,349,601 | $763,008,242 | $28,293,557 | $14,991,029 | $6,128,023 | $83,928,750 | | |
| 1961 | 953,240,000 | +12,683,525 | 965,923,525 | 822,494,381 | 30,223,529 | 15,633,372 | 7,569,754 | 90,002,489 | | |
| 1962 | 989,371,000 | +13,914,099 | 1,003,285,099 | 858,264,012 | 29,483,935 | 15,659,690 | 7,365,937 | 92,511,525 | | |
| 1963 | 1,048,172,300 | +3,982,148 | 1,052,154,448 | 873,348,349 | 30,701,428 | 16,084,442 | 7,378,261 | 124,641,968 | | |
| 1964 | 1,091,643,000 | +7,980,318 | 1,099,623,318 | 904,509,472 | 31,478,465 | 16,285,104 | 7,581,703 | 124,812,834 | $14,955,740 | |
| 1965 [2] | 1,154,409,000 | +14,556,000 | 1,168,965,000 | 966,321,000 | 32,452,000 | 17,121,000 | 7,162,000 | 127,444,000 | 15,455,000 | $3,010,000 |
| 1966 [2] | 1,177,417,000 | +15,698,000 | 1,193,115,000 | 975,330,000 | 28,044,000 | 16,905,000 | 6,593,000 | 132,018,000 | 15,305,000 | 18,920,000 |

## ANALYSIS OF AVERAGE DAILY BENEFICIARY LOADS (UNLESS OTHERWISE INDICATED)

| | | | | | | | | *Medical visits* | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1960 | | | | 111,408 | 16,856 | 2,948 | 9,418 | 3,511,279 | | |
| 1961 | | | | 111,351 | 16,812 | 2,970 | 9,385 | 3,567,193 | | |
| 1962 | | | | 110,884 | 16,400 | 2,880 | 9,062 | 3,656,104 | | |
| 1963 | | | | 110,194 | 15,690 | 2,822 | 9,161 | 5,900,554 | | |
| 1964 | | | | 110,159 | 15,330 | 2,722 | 9,346 | 6,178,633 | | |
| 1965 [2] | | | | 109,918 | 15,241 | 2,713 | 8,438 | 6,067,600 | | 1,262 |
| 1966 [2] | | | | 108,566 | 13,993 | 2,643 | 7,530 | 6,109,100 | | 6,070 |

## ANALYSIS OF VA HOSPITAL WORKLOAD DATA

| Fiscal year | Average daily patient load | Per diem rate | Patients treated | Cost per patient treated |
|---|---|---|---|---|
| 1960 | 111,408 | $18.44 | 637,377 | $1,180 |
| 1961 | 111,351 | 19.93 | 664,400 | 1,219 |
| 1962 | 110,884 | 20.87 | 688,507 | 1,227 |
| 1963 | 110,194 | 21.56 | 712,937 | 1,216 |
| 1964 | 110,159 | 22.43 | 738,583 | 1,225 |
| 1965 [2] | 109,918 | 24.09 | 746,000 | 1,295 |
| 1966 [2] | 108,566 | 24.61 | 761,000 | 1,282 |

[1] Q.S. & L., reimbursements and unobligated balance. [2] Estimated.

Mr. THOMAS. If he gets the table on the average day patient load and the number of patients treated for each of those years, and that is where you get the cost per patient.

Mr. SHYTLE. In 1960, 140,630; in 1961, it was 130,518; in 1962, 139,226; in 1963, 137,867; in 1964, 137,156, total patient load.

Mr. THOMAS. How many patients?

Mr. DRIVER. In total patients treated in the year, about 25,000 more each year. The number of average day patient load, beds occupied each day, went down.

Mr. THOMAS. I think the number of patients treated is a better figure.

Mr. DRIVER. It has gone up about 25,000.

Mr. THOMAS. Has it gone up in comparison to your dollar cost? That is the whole argument.

Mr. SHIPLEY. Is that the beds you just gave?

Mr. DRIVER. Occupied on a daily basis. Patients treated for the year is the figure you have to look at to justify the increase.

Mr. SHIPLEY. That is not this one. Do you have the other?

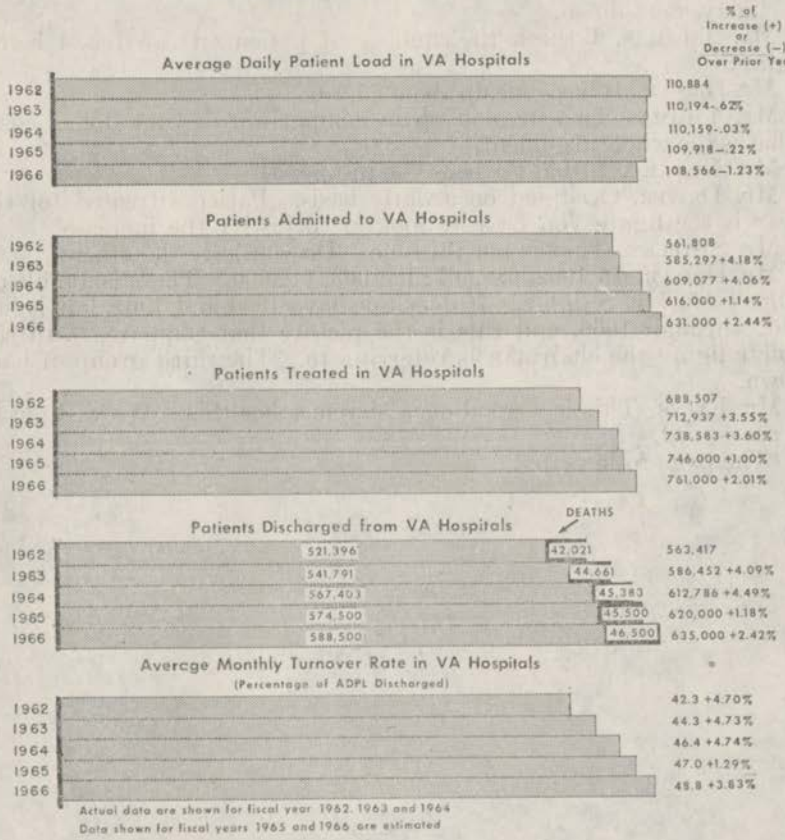
Mr. DRIVER. In 1962, 688,507; in 1963, 712,000. There is a table on page 4–58, Mr. Shipley. It does not have 1960 and 1961, but it has 1962 through 1966, and this is the picture that compares with the dollar figure the chairman is referring to. The third group of bars down.

Mr. EVINS. This is a good one. I remember this. We will put it in the record.

(The page follows:)

DEPARTMENT OF MEDICINE AND SURGERY
Part 4. Medical Care
Hospital Care

## ALL VA HOSPITALS
## INCREASED NUMBERS OF VETERANS ADMITTED, TREATED, AND DISCHARGED MORE THAN COMPENSATE FOR DECREASED ADPL IN VA HOSPITALS




Mr. EVINS. This shows the average daily patient load in VA hospitals from 1962 through 1966; the patients admitted to VA hospitals from 1962 through 1966; the patients treated in VA hospitals from 1962 through 1966; the patients discharged from VA hospitals from 1962 through 1966; and the average monthly turnover rate in VA hospitals from 1962 through 1966.

Mr. GIAIMO. Will the gentleman yield?

Mr. EVINS. Yes.

Mr. GIAIMO. The figures you just read off to us before we got to the chart, 137,867 for 1963 and 137,557 for 1964, how do these figures tie into the chart on 4–58?

Mr. MONK. The figures he read include domiciliaries, plus patients treated in contract hospitals and State homes. These are total patients. The figures you are looking at are only those in VA hospitals.

Mr. EVINS. The average daily patient load declined from 110,884 in 1962 to 108,566 in 1966 in VA hospitals.

Mr. MONK. But patients treated in that same period went up from 688,000 to 761,000.

Mr. DRIVER. The turnover chart is at the bottom.

Mr. EVINS. The average monthly turnover went from 42.3 to 48.8 percent.

Mr. DRIVER. That increase means a substantial number more patients treated per bed each year, and of course that means a higher medical cost because for each one that comes in you have drugs and everything else.

Mr. SHIPLEY. Will the gentleman yield?

Mr. EVINS. Yes.

Mr. SHIPLEY. If your patients treated increase 2.01 percent in 1966 over 1965, what would be your dollar increase of appropriation in 1966 over 1965?

Mr. DRIVER. It is $62 million total.

Mr. SHIPLEY. What percentage would that be of increase?

Mr. DRIVER. The increase is $24.9 million.

Mr. SHIPLEY. What percentage is what I am trying to find.

Mr. WISE. About 2 percent.

Dr. MCNINCH. What are we asking for in hospitals is 2 percent.

Mr. SHIPLEY. In conjunction with your patients treated, it would also be 2 percent in your patients treated over 1965?

Mr. DRIVER. Yes, sir.

Mr. SHIPLEY. That is what I wanted to find out.

Mr. THOMAS. Let me interrupt just a moment and pardon me for doing it. Let's see if we cannot clarify this, since Mr. Giaimo and Mr. Shipley and you are interested in the question I originally asked.

You are going to go back and read the record put in a table, following that discussion, showing your appropriations. This is only inpatient care.

Mr. DRIVER. Yes.

Mr. THOMAS. 1960 through 1966.

Mr. DRIVER. Right.

Mr. THOMAS. Not average day patient load, but actual number of patients treated, in the next column.

Mr. DRIVER. That is right.

Mr. THOMAS. Of course, the difference between the two figures is going to show what it cost you to treat each one of those patents. Do you follow?

Mr. DRIVER. Yes, sir.

Mr. THOMAS. And that last figure is going to be very, very interesting.

## MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 8,860 | 9,231 | 9,723 |
| 11.3 | Positions other than permanent | 204 | 243 | 243 |
| 11.5 | Other personnel compensation | 5 | | |
| | Total personnel compensation | 9,070 | 9,474 | 9,966 |
| 12.0 | Personnel benefits | 652 | 667 | 702 |
| 21.0 | Travel and transportation of persons | 1,472 | 1,619 | 1,619 |
| 22.0 | Transportation of things | 53 | 58 | 56 |
| 23.0 | Rent, communications, and utilities | 185 | 171 | 172 |
| 24.0 | Printing and reproduction | 221 | 237 | 236 |
| 25.1 | Other services | 633 | 620 | 648 |
| 26.0 | Supplies and materials | 51 | 53 | 51 |
| 31.0 | Equipment | 34 | 32 | 46 |
| | Total costs, funded | 12,373 | 12,931 | 13,496 |
| 94.0 | Change in selected resources | 3 | | |
| 99.0 | Total obligations | 12,375 | 12,931 | 13,496 |

*Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 910 | 961 | 862 |
| Full-time equivalent of other positions | 16 | 14 | 14 |
| Average number of all employees | 859 | 814 | 846 |
| Average GS grade | 5.0 | 5.0 | 5.0 |
| Average GS salary | $5,604 | $5,920 | $5,952 |
| Average salary, grades established by 38 U.S.C. | $9,594 | $10,135 | $10,184 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Operating costs: | | | |
| | 1. Medical, hospital, and domiciliary administration | 10,819 | 11,277 | 11,746 |
| | 2. Education and training | 1,519 | 1,622 | 1,704 |
| | Total operating costs | 12,338 | 12,899 | 13,450 |
| | Capital outlay: | | | |
| | 1. Medical, hospital, and domiciliary administration | 32 | 29 | 25 |
| | 2. Education and training | 2 | 3 | 21 |
| | Total capital outlay | 34 | 32 | 46 |
| | Total program costs, funded | 12,373 | 12,931 | 13,496 |
| | Change in selected resources [1] | 3 | | |
| 10 | Total obligations | 12,375 | 12,931 | 13,496 |
| | Financing: | | | |
| 16 | Comparative transfer to other accounts | 1,942 | 1,965 | |
| 25 | Unobligated balance lapsing | 483 | | |
| | New obligational authority | 14,800 | 14,896 | 13,496 |
| | New obligational authority: | | | |
| 40 | Appropriation | 14,800 | 14,200 | 13,496 |
| 44 | Proposed supplemental due to civilian pay increases | | 696 | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 12,375 | 12,931 | 13,496 |
| 70 | Receipts and other offsets (items 11–17) | 1,942 | 1,965 | |
| 71 | Obligations affecting expenditures | 14,317 | 14,896 | 13,496 |
| 72 | Obligated balance, start of year | 1,219 | 795 | 955 |
| 74 | Obligated balance, end of year | −795 | −955 | −950 |
| 77 | Adjustments in expired accounts | −42 | | |
| 90 | Expenditures, excluding pay increase supplemental | 14,699 | 14,060 | 13,481 |
| 91 | Expenditures from civilian pay increase supplemental | | 676 | 20 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $88,000 (1964 adjustments—$19,000); 1964, $72,000; 1965, $72,000; 1966, $72,000.

SUMMARY OF REQUEST

Mr. Evins. Let us insert the summary material on 2–2, 2–3, and 2–4. (The pages follow:)

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

APPROPRIATION LANGUAGE

For expenses necessary for administration of the medical, hospital, domiciliary, supply, research, employee education and training activities as authorized by law, $13,496,000.

GENERAL STATEMENT

This appropriation provides for the administration and supervision of all agency medical programs by the Chief Medical Director, assisted by his central office staff elements and personal regional representatives, and the conduct of education and training activities to support the medical care program.

Activity classifications identified under this appropriation are:

1. "Medical administration," which covers all agency medical program supervision and administration, including the development and implementation of policies, plans, and broad program activities.

2. "Education and training," which provides supportive postgraduate and in-service training for the medical care programs.

Amounts available under the "Medical administration" and "Miscellaneous operating expenses" appropriation for fiscal years 1964 and 1965 included funds for the Office of the Assistant Administrator for Construction. In fiscal year 1966, that office is proposed for funding under the "Construction of hospital and domiciliary facilities" appropriation to permit better assessment of total costs involved in the agency's construction efforts.

For the fiscal year 1966, the appropriation request under the "Medical administration" and "Miscellaneous operating expenses" head totals $13,496,000, or a net decrease of $704,000. This decrease is due to the exclusion of estimates for the Office of the Assistant Administrator for Construction ($1,965,000) from this appropriation, partly offset by annualization of fiscal year 1965 employment in connection with implementing the requirements of Public Law 88-450 nursing bed program, and other staffing increases.

Detailed explanation and justification for each of these programs are set forth in the succeeding sections of this estimate, starting on pages 2-5 and 2-24, respectively.

*Summary of employment by activity and costs by activity and object*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employment (average full-time equivalent): | | | | |
| Medical administration | 852 | 807 | 840 | +33 |
| Consultant (full-time equivalent) included above | (7) | (8) | (8) | |
| Full-time equivalent of terminal leave | 7 | 7 | 6 | −1 |
| Total, including terminal leave | 859 | 814 | 846 | +32 |
| Average payroll cost | $11,411 | $12,566 | $12,700 | +$134 |
| Costs by activity: | | | | |
| Medical administration | 10,851,050 | 11,306,000 | 11,771,000 | +465,000 |
| Education and training | 1,521,749 | 1,625,000 | 1,725,000 | +100,000 |
| Total costs | 12,372,799 | 12,931,000 | 13,496,000 | +565,000 |
| Costs by object: | | | | |
| 11 Personnel compensation | 9,069,757 | 9,474,000 | 9,966,000 | +492,000 |
| 12 Personnel benefits | 652,314 | 667,000 | 702,000 | +35,000 |
| 10 Personal services and benefits | 9,722,071 | 10,141,000 | 10,668,000 | +527,000 |
| 21 Travel and transportation of persons | 1,472,303 | 1,619,000 | 1,619,000 | |
| 22 Transportation of things | 53,372 | 58,000 | 56,000 | −2,000 |
| 23 Rent, communications, and utilities | 185,478 | 171,000 | 172,000 | +1,000 |
| 24 Printing and reproduction | 221,115 | 237,000 | 236,000 | −1,000 |
| 25 Other services | 633,241 | 620,000 | 648,000 | +28,000 |
| 26 Supplies and materials | 50,729 | 53,000 | 51,000 | −2,000 |
| 31 Equipment | 34,490 | 32,000 | 46,000 | +14,000 |
| Total costs | 12,372,799 | 12,931,000 | 13,496,000 | +565,000 |
| Costs adjusted for other years, net | 2,613 | | | |
| Total obligations | 12,375,412 | 12,931,000 | 13,496,000 | +565,000 |
| Comparative transfer from other appropriation (−) | [1] −226,112 | | | |
| Comparative transfer to other appropriation | [2] [3] 2,167,651 | [3] 1,965,000 | | −1,965,000 |
| Unobligated balance or savings | 483,049 | | | |
| Less proposed supplemental | | 696,000 | | +696,000 |
| Appropriation or estimate | 14,800,000 | 14,200,000 | 13,496,000 | −704,000 |

[1] 22 supply specialist and clerical employees transferred from "General operating expenses" appropriation.
[2] $353,640 is for salaries of 31 automatic data processing specialist and clerical employees transferred to "General operating expenses" appropriation (Department of Data Management).
[3] $1,814,011 in fiscal year 1964 and $1,965,000 in fiscal year 1965 covers funds for Office of Assistant Administrator for Construction transferred to "Construction of hospital and domiciliary facilities" appropriation.

*Positions by grade and average employment*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Permanent positions: | | | | |
| Chief medical director | 1 | 1 | 1 | |
| Deputy chief medical director | 1 | 1 | 1 | |
| Assistant chief medical director | 4 | 4 | 4 | |
| GS–17 | 1 | 1 | 1 | |
| GS–16 | 3 | 3 | 3 | |
| GS–15 | 28 | 32 | 35 | +3 |
| GS–14 | 83 | 94 | 76 | −18 |
| GS–13 | 186 | 262 | 211 | −51 |
| GS–12 | 96 | 90 | 73 | −17 |
| GS–11 | 45 | 43 | 37 | −6 |
| GS–10 | 3 | 3 | 5 | +2 |
| GS–9 | 17 | 15 | 15 | |
| GS–8 | 13 | 13 | 13 | |
| GS–7 | 63 | 59 | 66 | +7 |
| GS–6 | 73 | 74 | 84 | +10 |
| GS–5 | 95 | 81 | 84 | +3 |
| GS–4 | 67 | 59 | 53 | −6 |
| GS–3 | 27 | 16 | 9 | −7 |
| Medical director | 39 | 39 | 40 | +1 |
| Executive grade physicians and dentists | 38 | 40 | 33 | −7 |
| Chief dietitian | 1 | 1 | 1 | |
| Chief pharmacist | 1 | 1 | 1 | |
| Director, chaplain service | 1 | 1 | 1 | |
| Director of nursing service | 1 | 1 | 1 | |
| Assistant director grade nurse | 11 | 16 | 9 | −7 |
| Chief grade nurse | 11 | 10 | 5 | −5 |
| Senior grade nurse | 1 | 1 | | −1 |
| Total permanent positions | 910 | 961 | 862 | −99 |
| Deduct: | | | | |
| Lapses | −67 | −161 | −30 | +131 |
| Equivalent of terminal leave | −7 | −7 | −6 | +1 |
| Add: Other than permanent | 16 | 14 | 14 | |
| Average employment | 852 | 807 | 840 | +33 |

Mr. EVINS. The personnel is increased from 807 to 840, an increase of 33, and the average payroll costs are increased by——

Mr. MONK. $134 a year.

Mr. EVINS. Medical administration goes up from $11,306,000 to $11,771,000, a total of $465,000.

Medical education and training goes up $100,000. In other words, a total increase of $565,000 in that activity.

Under "Cost by objects," personnel compensation goes from $9,474,000 to $9,966,000, up $492,000.

Personnel benefits is up $35,000.

Personal services and benefits are up $527,000.

Mr. EVINS. "Personal services and benefits"—this is the total. That is right, that is the total of the two.

Then you have a $28,000 amount in "Other supplies," for a total increase of $565,000 for next year in the "Miscellaneous operating expenses."

Your green sheet shows 33 new jobs in "Miscellaneous operating expenses."

Dr. MCNINCH. These are new jobs. This gets into some of the things discussed earlier. The function of the fiscal audit transferred out of the office to VA controller, and some other functions were dropped. There is a total increase of 78 new positions, of which 25 represented personnel transferred in from the field, from the area offices, to carry on functions in our office, the central office, that they

had been carrying on in the field, sir—and some 10 to institute and manage a new nursing career program, and the various sections of Public Law 78–50 and some 43 new positions scattered throughout the office, which I felt were necessary in the administration of the medical service.

DUTIES OF THE CHIEF MEDICAL DIRECTOR AND STAFF

Mr. EVINS. Tell me where in your budget you list the Chief Medical Director, his deputies, and his assistants.

Mr. MONK. Under Medical Administration, 2–2, and the green sheet is 2–4.

Mr. EVINS. That is not what I want. You list the functions of the Chief Medical Director, the functions of the deputy——

Mr. MONK. Page 2–5.

Mr. EVINS. No, that is not it. You have two or three pages where you list his deputies, his assistants, his chief deputy, the head of the Medical Department.

Dr. MCNINCH. That is page 2–20.

Mr. EVINS. I think we ought to put in the record next pages 2–20 through 2–24. You do not get the full impact of this unless you read it.

(The pages follow:)

Duties and staffing of the various central office components of the Department of Medicine and Surgery, as now planned for the 1966 fiscal year are described in the following paragraphs:

*Chief Medical Director.*—As Chief of the Department of Medicine and Surgery is directly responsible to the Administrator of Veterans Affairs to make available complete and adequate medical and hospital service for the medical care of eligible veterans, as prescribed by the Administrator, pursuant to title 38, United States Code and other statutory authority. In this endeavor, he is assisted by a Deputy Chief Medical Director and the eight major staff elements described in the succeeding paragraphs. Total staffing requested for the immediate Office of the Chief Medical Director in fiscal year 1966 numbers 52 employees, including the Chief Medical Director and his deputy. The supportive staff advises and assists the Chief Medical Director and his deputy on administrative matters, conducts assigned special projects, maintains publication and reproduction controls, and provides general office services, including space assignments, mail service, and central file service for the central office elements of the Department.

*Assistant Chief Medical Director for Professional Services.*—With the assistance of his two deputies and a staff of professional specialists, consultants, and clerical personnel, is responsible to the Chief Medical Director for formulating policies and plans of department-wide application pertaining to professional services in hospitals, domiciliaries, clinics and restoration centers. He also advises and assists him on professional matters related to the operation of Veterans' Administration medical facilities and appraises the effectiveness of policies and plans pertaining thereto; collects and disseminates information of a professional nature dealing with clinical and scientific matters, and oversees the Medical Illustration Service. The staff of this office is concerned with 15 different disciplines of patient care and related paramedical activities. A total staff of 166 employees is requested for this office in fiscal year 1966.

*Assistant Chief Medical Director for Dentistry.*—With the assistance of one Deputy and supportive staff, is responsible to the Chief Medical Director for recommending policies, plans, and professional standards of department-wide application, pertaining to a program of dental care for eligible veterans, including staffing requirements, facilities, equipment, and supplies. He also appraises the effectiveness of policies and plans pertaining thereto, and establishes fee schedules for hometown dental services. He collects and disseminates information of a professional nature dealing with dental clinical and scientific matters, and maintains liaison with dental activities in other Federal agencies and private

dental organizations. For fiscal year 1966, a total staff of 16 employees is requested for this office.

*Assistant Chief Medical Director for Research and Education in Medicine.*—is responsible for recommending to the Chief Medical Director, policies and plans of Department-wide application pertaining to programs of research and education in medicine. He develops and administers a coordinated research program; and develops and coordinates programs of medical, paramedical, and administrative education. He appraises for the Chief Medical Director the effectiveness of policies and plans pertaining to research and education in medicine; collects and disseminates information of a professional and scientific nature to research and education staffs in the various Veterans' Administration medical facilities; and prepares recommendations for medical research and educational activities. A total staff of nine professional and clerical employees will be required to conduct these activities in fiscal year 1966.

*Assistant Chief Medical Director for Plans and Coordination.*—Responsible to the Chief Medical Director for the planning, coordination, integration, and program development activities of the Department. In this connection he supervises the professional guidance of the medically oriented group which works with the Department of Data Management in exploring the requirements of applying automation to clinical medicine, medical research and education, and patient care and treatment. His is also the responsibility to supervise the development of basic departmental policy, and long-range plans and objectives, and to develop for the Department, management standards and systems. He provides reports and statistics support for the Department, and integrates workload, manpower and cost requirements for overall departmental plans. For fiscal year 1966 a staff comprised of 86 specialist and clerical employees will be required for these purposes.

*Assistant Chief Medical Director for Management and Evaluation.*—Coordinates for the Department all internal and external evaluation and inspection activities, and the reports relating thereto. He develops policies and plans for management audits, surveys, and evaluation of field station management and operations, evaluates overall effectiveness in the conduct of audits and surveys, and provides guidance and assistance to Central Office services in the development of and changes in criteria for evaluation of program and management needs. Reviews, comments on and recommends to the Chief Medical Director with respect to the impact of proposed legislation and Executive orders upon the medical programs; recommends changes to existing laws affecting medical benefits. He acts upon all professional inquiries from outside sources relating applicants for and recipients of the medical benefits of the VA, and receives and takes action on all complaint and complimentary mail. A staff of 39 specialist and clerical employees will be required to accomplish these functions in fiscal year 1966.

*Controller, Department of Medicine and Surgery.*—The Controller is responsible to the Chief Medical Director for budgetary and fiscal matters of the Department, including formulation and recommendation of general policies, plans, and standards relating thereto, of Department-wide application. He prepares the Department budget for the Chief Medical Director and assists him in its presentation before the Bureau of the Budget and the Congress. He recommends allocations to be made from funds under control of the Department, and allocates and allots funds as approved after enactment of appropriations. Maintains the consolidated financial, budgetary, and cost accounting records of the Department and determines legality and propriety of transactions. A staff of 70 specialist and clerical employees is requested for conduct of these activities in fiscal year 1966.

*Director for Administrative Services.*—Formulates and recommends to the Chief Medical Director policies, plans, operating guides, and training aids pertaining to administrative services in hospitals, clinics, domiciliaries, and restoration centers. In the performance of these responsibilities, a staff totaling 235 employees is concerned with devising improved methods and procedures, writing policy and procedural directives, field program supervision, conduct of special studies and surveys, review and evaluation, and overall management relating to the housekeeping, engineering, personnel, supply and registrar services. He also directs and coordinates the activities of the Veterans Canteen Service and its field offices, which service is under the direct supervision and control of the

Director of Canteen Service, in accordance with the provisions of title 38, United States Code, chapter 75.

*Director for Hospital Construction.*—The Director for Hospital Construction develops plans including assembling of space and equipment requirements, mechanized and electronic systems for transportation and communications within medical facilities, etc., needed for master plans, and development of the criteria where it has not been provided. He reviews and coordinates achitectural plans, prepares project submissions for VA and Bureau of the Budget approval, serves on site selection boards, conducts followup inspections and studies of hospitals following activations, and keeps current on advances in the field of hospital construction, especially in criteria and design. For fiscal year 1966 a staff of 44 specialist and clerical employees will be required to accomplish these functions.

Mr. EVINS. I want to review for the committee and for the staff these central office operations.

Duties and staffing of the various central office components of the Department of Medicine and Surgery, as now planned for the 1966 fiscal year, are described in the following paragraphs:

Chief Medical Director, whom we all know and admire, is directly responsible to the Administrator of Veterans' Affairs, and he is assisted by a Deputy Chief Medical Director and the eight major staff elements described in the succeeding paragraphs. Total staffing requested for the immediate office of the Chief Medical Director in fiscal year 1966 is 52 employees, including the Chief Medical Director and his deputy. The supportive staff advises and assists the Chief Medical Director and his deputy on administrative matters, conducts assigned special projects, maintains publication and reproduction controls, and provides general office services.

You have several general office services, including space assignment.

He controls bulletins and publications, assigns space and mail service, and he is charged with the central files service.

Then we come to the Assistant Chief Medical Director for Professional Services. With the assistance of his two deputies and a staff of professional specialists, consultants, and clerical personnel, he is responsible to the Chief Medical Director for formulating policies and plans of Department-wide application. He also advises and assists on matters of the operation of veterans hospitals. He has a total staff of 166 employees, requested, performing these things.

Then the Chief Medical Director has an Assistant Chief Medical Director for Dentistry. With the assistance of one deputy and supportive staff he is responsible to the Chief Medical Director for recommending polices, plans, and professional standards of Department-wide application. He has a total of 16 employees in the request for this office.

The Chief does not do any dentistry.

Then we have the Assistant Chief Medical Director for Research and Education in Medicine, who is responsible for recommending to the Chief Medical Director, policies and plans of Department-wide application on research and education in medicine.

The Assistant Chief Medical Director for Research and Education in Medicine has a staff of nine professional employees in his department.

Then we have the Assistant Chief Medical Director for Plans and Coordination, who is responsible to the Chief Medical Director for the planning, coordination, integration, and program development activities of the Department. He supervises the professional guidance

of the medically oriented group which works with the Department of Data Management. He is also responsible for supervising the development of basic departmental policy and providing reports and statistics. He has a staff of 86 specialists and clerical employees required for this purpose.

Then the Assistant Chief Medical Director for Management and Evaluation. He coordinates for the Department all internal and external evaluation and inspection activities, and he develops policies and plans for management audits, surveys, and evaluation of field station management and operation. He takes action on all complaints, and has a staff of 39 specialists and clerical employees to coordinate these functions.

Then we have the Controller, who is responsible to the Chief Medical Director for budgetary and fiscal matters of the Department, including formulation and recommendation of general policies. He prepares the budget for the Department, and he has a staff of seven specialists and clerical employees.

Mr. THOMAS. You are not talking about the entire staff of Dr. Wise?

Mr. DRIVER. Dr. Klippen.

Mr. EVINS. He has a big job and he does a good job if he gets up this budget. I think he is a most active man.

Mr. THOMAS. He is doing more figuring than doctoring.

Mr. EVINS. Dr. McNinch is the Chief Medical Director, but the Director for Administrative Services formulates and recommends to the Chief Medical Director policy, plans, operating guides, and training aids pertaining to administrative services in hospitals, clinics, domiciliaries, and restoration centers. He has 235 employees concerned with devising procedures, writing policy, and procedural directives. He also coordinates the activities of the Veterans Canteen Service and its field offices.

Then the Director for Hospital Construction develops plans, including assembling of space and equipment requirements. He reviews and coordinates architectural plans and keeps current on advances in the field of hospital construction, especially in criteria and design. He has 44 specialist and clerical employees in this field of closing—my view of this is that you are a little topheavy, Doctor. You have a lot of people looking after paperwork and the space and the budget. Could you not make some economies here as well as the economies that the proposed closing of the hospitals would bring?

Dr. MCNINCH. Mr. Evins, this has been stated to be the largest organized medical service in the world, with a budget greater than a billion dollars, and I think that everyone in my Department is exceedingly busy in useful, productive work, and they are needed.

Mr. EVINS. It is certainly a thing we are all interested in, and a lot of people are being concerned about your closing down the hospitals. But you seem to cut them down and build up your Washington staff.

REGIONAL REPRESENTATIVE OF CHIEF MEDICAL DIRECTOR

A few years ago did you not transfer all of these advisers and so forth, in here, and then you reestablished some field advisers?

Dr. McNinch. This is not quite accurate. We transferred in the area medical directors and some three assistants, with the rest of their area staff remaining in the field. During the past fiscal year we have reduced their staff and the functions they perform from an average staff of some 37 people to 17. But after the trial of better than 1 year, they felt and I felt they could do their job better if they were located with their offices in the field. Their activities are covered on page 2–19.

Mr. Evins. During the 1965 fiscal year, a major reorganization of the medical administrative activities was accomplished, keynoted by the recentralization generally to the central office, of professional and technical service supervisors.

That is what we are talking about.

Because of the enormity of the VA medical complex, need still remained for the Chief Medical Director to be represented in regional areas by representatives who are located in closer proximity.

This is what we argued 2 or 3 years ago, that if you allow the hospital manager to manage the thing in the field, he is close to the patients, he knows the situation, and he could contact you, but he had to go through two or three other layers. Now you have come back to the point of view you need people on the local level to advise you on local matters.

Therefore, small staffs of regional representatives—17 personnel in each region, including 4 professional, 6 general administrative, and 7 clerical employees—are maintained in each region and you have 7 regions with offices located at Boston, Mass.; Washington, D.C.; Atlanta, Ga.; St. Louis, Mo.; Columbus, Ohio; St. Paul, Minn.; and San Francisco, Calif.

These personnel advise you direct, in addition to your various assistants and deputies and staffs here in Washington?

Dr. McNinch. Yes.

Mr. Evins. What do the people in the field tell you?

Mr. Driver. That is set out at the bottom of page 2–19.

Mr. Evins. The 7 regional representatives offices have a total of 123 average employees, including 4 consultants whose functions are as follows [reading]:

The regional representatives of the Chief Medical Director advise and assist him in the direction of hospitals, clinics, domiciliaries and restoration centers. The seven regional representatives' offices have a total of 123 average employment (including four consultants) to perform for the Chief Medical Director such functions as:

1. Assuring proper understanding of and compliance with VA policies and procedural instructions.
2. Evaluating field station operations for the Chief Medical Director.
3. Identifying problems and facilitating solutions to local management.
4. Assisting in maintaining optimum relations with medical schools and deans' committees.

Mr. Thomas. In other words, you are saying the hospital managers cannot read and write.

Dr. McNinch. They do not always follow our policy, Mr. Chairman.

Mr. THOMAS. Maybe more horsepower to them. They are on the ground. You are going to tell them how to treat a patient 500 or 1,000 miles away?

Dr. MCNINCH. No, we do not tell them how to treat a patient.

Mr. THOMAS. What do you tell them, then?

Dr. MCNINCH. We might keep a hospital from performing open heart surgery with an inadequate staff, even though they wanted to.

Mr. EVINS. I think the manager of the hospital would be able to interpret your regulations, but you have to have a staff there to advise him on your regulations. Is that about what No. 1 is?

Dr. MCNINCH. It is more than that, I think, if you read on.

Mr. Evins (reading):

No. 2. Evaluating field station operations for the Chief Medical Director.
No. 3. Identifying problems and facilitating solutions by local management.

You say the problems are solved locally. Why the need for this supervision in the District of Columbia?

Dr. MCNINCH. Sometimes a problem in a single hospital can be solved by readjusting the funds within the area by transferring to a hospital needing more funds from a hospital needing less funds.

Mr. THOMAS. Why do that? You have a big staff in the Washington office.

Dr. MCNINCH. I think they have more intimate knowledge.

Mr. THOMAS. They are not on the ground, the area office may be 400 or 500 miles from the hospital.

Dr. MCNINCH. They travel, sir, and can travel more readily to the stations.

Mr. THOMAS. You have the police force, the internal audit section; what do they do?

Dr. MCNINCH. They do not work for me, they work on management problems.

Mr. THOMAS. They work for the Veterans' Administration. You are not separate and distinct and over and above. You are part of the team.

Dr. MCNINCH. The type of problem they work on is strictly in the administrative field, not the professional field.

Mr. THOMAS. I am in favor of putting some limitation on you. Just bring that right to a head and wrap it up and wind up your field offices, and just prohibit you in this bill from having any more of them. We think that it is that much more wasted. Just like the good doctor over there spends most of his time figuring rather than doctoring. Let's put the doctors where they belong; in the hospitals.

Mr. EVINS. Another function of the 17 regional offices is to report to the Director in assisting in maintaining optimum relations with medical schools and deans' committees and seeing the required workload and budgetary adjustments are promptly effected.

The reason I bring this up is because a few years ago I have the impression that the hospital manager in the field knew the situation best. You can send him instructions, he can read them and interpret them, and he must have a little flexibility in running his hospital.

But you brought most all of these supervisors in here, and now you are going back to putting some people in the field, which is just what we said originally you ought to have, local supervision. So actually you have both. Is that not true?

Dr. McNinch. We have echelons of supervision, yes.

## Medical Administration

Mr. Evins. Let us look at medical administration on 2–5. We will insert pages 2–5, 2–6, and 2–9.

(The pages follow:)

### Medical Administration

#### introduction

For fiscal year 1966 an appropriation of $11,771,000 is requested to cover the operations of the VA "medical administration" program. This is an increase of $465,000 over the $11,306,000 appropriated for this program in fiscal year 1965.

This activity includes the Office of the Chief Medical Director and his central office departmental staff elements responsible for the development of objectives and the administration of policies and plans to insure complete medical, dental, and hospital services for the care and treatment of veterans as prescribed by the Administrator pursuant to statutory authority and regulations. Also included under this heading are the Chief Medical Director's regional representatives and their staff members who represent the Chief Medical Director in assuring efficient conduct of medical programs within their respective regional areas.

In addition to providing for needed administrative staff, this estimate includes consultants to the Administrator and the Chief Medical Director as well as the Special Medical Advisory Group. The members of this Special Medical Advisory Group meet four times a year with the Department of Medicine and Surgery to advise on medical and policy matters. They serve as liaison between the Veterans Administration and major segments of American medicine, such as the medical schools and the various professional associations of medical specialists. Central office use of consultants is in connection with neuropsychiatry, social service, tuberculosis, dentistry, and other specialties to advise and assist on policies and procedures. Consultants and attendings are also utilized by the regional representatives to supplement the professional staff in those offices. They supervise specialty activities and submit reports on each hospital appraising the capabilities of the head of the particular specialty, the physical layout, the type of service being rendered, as well as criticisms and recommendations.

The fiscal year 1966 appropriation request includes a decrease of $219,000 for the contemplated transfer of the Department of Medicine and Surgery financial audit function to the VA Controller's Office. That amount accordingly is included as an increase in the "General operating expenses" appropriation estimate.

On pages 2–9 through 2–18 the amounts and reasons for the requested monetary and staffing increases are explained in detail, and on pages 2–19 through 2–23 there is provided a narrative summary of "Medical administration" program operations and activities.

*Summary of employment and costs by activity*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employment (average full-time employees) | 852 | 807 | 840 | +33 |
| Consultants (full-time employees) included above | (7) | (8) | (8) | |
| Average payroll cost: | | | | |
| Total | $11,411 | $12,566 | $12,700 | +$134 |
| Central office | 11,055 | 12,185 | 12,378 | +193 |
| Field | 12,263 | 14,264 | 14,577 | +313 |
| Employment (average full-time employees) by activity: | | | | |
| Chief Medical Director | 43 | 40 | 52 | +12 |
| ACMD, Professional Services | 127 | 157 | 166 | +9 |
| ACMD, Dentistry | 11 | 13 | 16 | +3 |
| ACMD, Research and Education in Medicine | 9 | 9 | 9 | |
| ACMD, Plans and Coordination | 50 | 72 | 86 | +14 |
| ACMD, Management and Evaluation | 29 | 31 | 39 | +8 |
| Controller | 83 | 76 | 70 | −6 |
| Director, Administrative Services | 207 | 220 | 235 | +15 |
| Director, Hospital Construction Service | 42 | 41 | 44 | +3 |
| Total, central office | 601 | 659 | 717 | +58 |
| Total, field | 251 | 148 | 123 | −25 |
| Total, medical administration | 852 | 807 | 840 | +33 |
| Costs by activity: | | | | |
| Chief Medical Director | $428,891 | $434,000 | $564,000 | +$130,000 |
| ACMD, Professional Services | 1,832,892 | 2,416,000 | 2,578,000 | +162,000 |
| ACMD, Dentistry | 168,273 | 268,000 | 327,000 | +59,000 |
| ACMD, Research and Education in Medicine | 123,258 | 139,000 | 141,000 | +2,000 |
| ACMD, Plans and Coordination | 634,983 | 1,016,000 | 1,208,000 | +192,000 |
| ACMD, Management and Evaluation | 309,695 | 352,000 | 445,000 | +93,000 |
| Controller | 976,792 | 1,073,000 | 963,000 | −110,000 |
| Director, Administrative Services | 2,356,165 | 2,687,000 | 2,882,000 | +195,000 |
| Director, Hospital Construction Service | 488,320 | 510,000 | 570,000 | +60,000 |
| Total, central office | 7,319,269 | 8,895,000 | 9,678,000 | +783,000 |
| Personal services and benefits | (6,644,097) | 8,030,000 | (8,875,000) | +845,000 |
| All other | (675,172) | (865,000) | (803,000) | −(62,000) |
| Total field | 3,531,781 | 2,411,000 | 2,093,000 | −318,000 |
| Personal services and benefits | (3,077,974) | (2,111,000) | (1,793,000) | −(318,000) |
| All other | (453,807) | (300,000) | (300,000) | |
| Total cost, medical administration | 10,851,050 | 11,306,000 | 11,771,000 | +465,000 |

JUSTIFICATION OF ESTIMATES

This estimate provides for 840 average employment and $11,771,000 available under the "Medical administration" activity head for fiscal year 1966, or a net increase of 33 average employment and $465,000 for planned program changes.

The staffing tables appearing in this estimate reflect the average annual employment figures of the central and regional representatives' offices which necessarily are comprised of staffing averages applicable to the respective offices both before and after the reorganization. The following chart shows fiscal year 1965 employment averages and the staffing strength of each office as now constituted. This will facilitate identification of the staffing changes requested in this estimate for fiscal year 1966 which are explained in relation to the presently constituted organization rather than the average annual employment expected for fiscal year 1965.

*Organization of central and regional representative offices, fiscal year 1965 and fiscal year 1966*

| Activity | 1965 | | Increase (+) or decrease (−) 1966 over 1965 current organization | 1966 average employment |
|---|---|---|---|---|
| | Annual average employment | Employment after reorganization | | |
| Chief Medical Director | 40 | 42 | +10 | 52 |
| ACMD, Professional Services | 157 | 165 | +1 | 166 |
| ACMD, Dentistry | 13 | 14 | +2 | 16 |
| ACMD, Research and Education in Medicine | 9 | 9 | | 9 |
| ACMD, Plans and Coordination | 72 | 73 | +13 | 86 |
| ACMD, Management and Evaluation | 31 | 31 | +8 | 39 |
| Controller | 76 | 81 | −11 | 70 |
| Director, Administrative Services | 220 | 227 | +8 | 235 |
| Director, Hospital Construction Service | 41 | 42 | +2 | 44 |
| Subtotal, Central office | 659 | 684 | +33 | 717 |
| Regional representatives | 148 | 123 | | 123 |
| Total, medical administration | 807 | 807 | +33 | 840 |

Program and staffing changes, both decreases and increases, are explained in detail in the following paragraphs.

MEDICAL ADMINISTRATION EMPLOYMENT

Mr. EVINS. I want to get the number of personnel in the central office and the personnel in the field.

Mr. MONK. Drop right down there, Mr. Evins, on the chart on 2–6 just a little down to "Total central office." In 1964, 601; in 1965 it is 659; and in 1966, 717.

In the field, 251 in 1964; 148 in 1965; and 123 in 1966; and then the total, adding those, 852, 807, and 840.

Mr. EVINS. A net increase of 33?

Mr. MONK. Yes, sir.

Mr. THOMAS. Before you leave that, may I ask for the green sheets on the 7 regional offices with the 123 scheduled employees? Do you have the green sheets on that? One of the average offices, give us the green sheets on it.

Mr. WISE. The green sheets are not brokn out for the area.

Mr. THOMAS. Give us the green sheet information. What grades are they; 12, 14, 16? You have one at the head of each office which is a 17.

Mr. WISE. There are four positions of medical grade, two executive grade, one GS–15, two GS–14's—these are administrative offices—three management officers, GS–16.

Mr. THOMAS. What is the medical grade equivalent to?

Mr. MONK. Some 17 and some 16.

Mr. THOMAS. The least grade you have is a 13 and they go on up to 17, and maybe an 18.

Mr. WISE. Except for seven clerks.

Mr. THOMAS. Ten 13's and above, including one 17 and 18.

Mr. WISE. Yes.

MEDICAL EDUCATION AND TRAINING

Mr. EVINS. Now, you have "Education and training," under "Miscellaneous operating expense," $1,725,000.

Dr. McNinch. This isn't administrative activities. I don't know why it is in this section of the budget. This is the education and training funds for the entire system of personnel in the Department of Medicine and Surgery. It is carried as part of this appropriation.

Mr. Evins. Let's take education and training.

This activity in the Department of Medicine and Surgery is Department-wide, administered by nine employees located in the Office of the Assistant Chief Medical Director for Research and Education. This is accomplished by students and residents, and physicians and dentists taking postgraduate courses.

You have 89 VA hopitals affiliated with 78 medical schools. This is a program in which you actually give residency training to medical students here who come over to the VA hospitals and do a little checking and working in connection with your hospital. This is an extra honorarium for the medical students?

Mr. Monk. That is part of it, but it includes the total training cost, the education and training cost for the Department, clear across the agency. This is done in the field.

Mr. Thomas. You are saying you train anybody who wants a little training in the Department: nurses, doctors, and everybody else; technicians.

Mr. Evins. Funds are used solely to pay expenses incidental to education and training of employees that are journalized and paid under other medical appropriations. These include tuition, travel, and lecture fees.

This is not really a large amount but it is an extra payment to your own employees, plus medical students.

Dr. McNinch. We don't pay medical students, except when they work in the hospital in the summertime; for instance, the clerks.

Mr. Evins. Residency training is up by $6,000. Postgraduate and inservice training, $94,000, a total of $100,000.

We will insert in the record, pages 2–24, 2–25, the table on 2–26, the table on residency training on 2–28, and the table on 2–29.

(The material follows:)

EDUCATION AND TRAINING

INTRODUCTION

For fiscal year 1966 an appropriation of $1,725,000 is requested to cover the operations of the VA education and training program. This is an increase of $100,000 over the $1,625,000 appropriated for this purpose in fiscal year 1965.

To the extent that VA hospital and clinic treatment staff can be informed of medical advances and continuing efforts for improvement of patient care, higher quality of service to veteran patients can be provided. Thus, the Veterans Administration must maintain an active and effective education program. The type of staff needed in VA hospitals and clinics can be recruited and retained only if the opportunity for continuing education is made possible. The experience of the Veterans Administration over the last decade and a half has demonstrated that medical education and training afford the most direct route to improved patient care.

Educational and training activities of the Department of Medicine and Surgery, departmentwide, are administered by nine employees located in the Office of the Assistant Chief Medical Director for Research and Education in Medicine in the Washington, D.C., central office.

The Veterans Administration, for reasons of sustaining the quality of its program of medical care, is affiliated with the Nation's medical schools. In fiscal year 1964, 89 VA hospitals were affiliated through deans committees with

78 medical schools. By virtue of these arrangements, treatment of the veteran patient is supervised by an academically oriented physician who values his continuing professional development highly and knows that in addition to his responsibilities for patient care, he must invest time and effort in his own education as well as in research and teaching. Having been attracted to the Veterans Administration because of affiliation with the medical school, such a physician must find the right climate for increasing his skills and knowledge or he will not stay.

Thus, it is of utmost importance to the maintenance of a staff of high quality that opportunities in research and education be afforded by the Veterans Administration. This is accomplished by participation of Veterans Administration staff members in the teaching of medical and dental students and residents and physicians and dentists taking postgraduate courses. The Veterans Administration also maintains a research program of major proportion. Various programs of education in fields allied to medicine are also conducted in Veterans' Administration hospitals in conjunction with institutions of higher learning.

Funds requested under this section of the appropriation estimate for the education and training program are used solely to pay expenses incidental to education and training of employees that are journalized and paid under other medical appropriations or programs of the agency. These expenses include costs of tuition, travel, lecturers' fees, services, and materials required for the conduct of training activities.

*Summary of cost by activity and object*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Costs by activity: | | | | |
| Residency training | $121,270 | $130,000 | $136,000 | +$6,000 |
| Postgraduate and in-service training | 1,390,491 | 1,495,000 | 1,589,000 | +94,000 |
| Medical illustration (obligated in prior year)[1] | 9,988 | | | |
| Total | 1,521,749 | 1,625,000 | 1,725,000 | +100,000 |
| Costs by object: | | | | |
| 21 Travel and transportation of persons | 911,995 | 1,019,000 | 1,073,000 | +54,000 |
| 22 Transportation of things | 16,603 | 17,000 | 17,000 | |
| 23 Rent, communications, and utilities: | | | | |
| Motion picture film rentals | 507 | | | |
| Other rentals and communications | 279 | | | |
| Subtotal | 786 | | | |
| 24 Printing and reproduction | 527 | 1,000 | 1,000 | |
| 25 Other services: | | | | |
| Miscellaneous contractual services (tuition) | 317,321 | 290,000 | 318,000 | +28,000 |
| Contracts with individuals (lectures) | 261,775 | 284,000 | 284,000 | |
| Subtotal | 579,096 | 574,000 | 602,000 | +28,000 |
| 26 Supplies and materials: | | | | |
| Office supplies | 432 | | | |
| Operating supplies and materials | 9,902 | 11,000 | 11,000 | |
| Subtotal | 10,334 | 11,000 | 11,000 | |
| 31 Equipment: | | | | |
| Furniture and fixtures | 230 | | | |
| Medical, dental and scientific equipment | 2,178 | 3,000 | 21,000 | +18,000 |
| Other operating equipment | | | | |
| Subtotal | 2,408 | 3,000 | 21,000 | +18,000 |
| Total costs, education and training | 1,521,749 | 1,625,000 | 1,725,000 | +100,000 |

[1] Obligations of $9,988 were incurred in fiscal year 1963 for supplies and equipment used in "Medical illustration" activities with delivery effected early in fiscal year 1964. Financing of "Medical illustration" program costs were transferred to the "Medical care" appropriation effective with the 1964 fiscal year.

JUSTIFICATION OF ESTIMATES

The education and training program activities are categorized under captions of "Residency Training" and "Postgraduate and In-Service Training."

*Residency training*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Tuition for medical and dental residents | | | | |
| Number of residents | 221 | 224 | 224 | |
| Average cost | $366 | $366 | $366 | |
| Total cost | $80,886 | $82,000 | $82,000 | |
| Lectures for medical and dental residents: | | | | |
| Number of lectures | 721 | 857 | 857 | |
| Average cost | $56 | $56 | $56 | |
| Total cost | $40,384 | $48,000 | $48,000 | |
| Educational assignments requiring travel: | | | | |
| Number of assignments | | | 49 | +49 |
| Average cost | | | $122 | +$122 |
| Total cost | | | $6,000 | +$6,000 |
| Total cost residency training | $121,270 | $130,000 | $136,000 | |

*Postgraduate and inservice training*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Lectures for full-time staff: | | | | |
| Number of lectures | 2,088 | 2,204 | 2,204 | |
| Average cost | $93 | $93 | $93 | |
| Total cost | $194,268 | $205,000 | $205,000 | |
| Visits by medical authorities (physicians in residence): | | | | |
| Number of visits | 63 | 72 | 72 | |
| Average cost | $432 | $432 | $432 | |
| Total cost | $27,123 | $31,000 | $31,000 | |
| Tuition and registration for full-time staff: | | | | |
| Number of staff (total) | 3,031 | 2,667 | 3,026 | +359 |
| Physicians, dentists, and nurses | 1,223 | 1,086 | 1,230 | +144 |
| Therapists, technicians, etc | 1,187 | 1,040 | 1,181 | +141 |
| Medical administrative employees | 621 | 541 | 615 | +74 |
| Average cost | $78 | $78 | $78 | |
| Total cost | $236,435 | $208,000 | $236,000 | +$28,000 |
| Educational assignments requiring travel: | | | | |
| Number of staff (total) | 7,299 | 8,152 | 8,536 | +384 |
| Physicians, dentists, and nurses | 3,426 | 3,831 | 4,022 | +191 |
| Therapists, technicians, etc | 2,529 | 2,821 | 2,978 | +157 |
| Medical administrative employment | 1,344 | 1,500 | 1,536 | +36 |
| Average cost | $125 | $125 | $125 | |
| Total cost | 911,995 | 1,019,000 | 1,067,000 | +178,000 |
| Educational equipment, supplies, printing, and shipment: | | | | |
| Equipment | 1,408 | 3,000 | 21,000 | +18,000 |
| Supplies and materials | 9,902 | 11,000 | 11,000 | |
| Shipment and presentation costs | 8,833 | 17,000 | 17,000 | |
| Printing and reproduction | 527 | 1,000 | 1,000 | |
| Total cost | 19,770 | 32,000 | 50,000 | +18,000 |
| Total cost postgraduate and inservice training | 1,390,491 | 1,495,000 | 1,589,000 | +94,000 |

## Medical and Prosthetic Research

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 19,510 | 21,691 | 23,191 |
| 11.3 | Positions other than permanent | 1,178 | 1,272 | 1,279 |
| 11.5 | Other personnel compensation | 81 | 85 | 85 |
| | Total personnel compensation | 20,769 | 23,048 | 24,555 |
| 12.0 | Personnel benefits | 1,501 | 1,613 | 1,718 |
| 21.0 | Travel and transportation of persons | 299 | 325 | 359 |
| 22.0 | Transportation of things | 39 | 55 | 60 |
| 23.0 | Rent, communications, and utilities | 166 | 265 | 287 |
| 24.0 | Printing and reproduction | 49 | 68 | 76 |
| 25.1 | Other services | 2,193 | 2,962 | 3,092 |
| 26.0 | Supplies and materials | 3,127 | 4,172 | 4,708 |
| 31.0 | Equipment | 3,656 | 5,842 | 5,804 |
| 32.0 | Lands and structures | 222 | 375 | 495 |
| | Total program costs, funded | 32,021 | 38,725 | 41,154 |
| 94.0 | Change in selected resources | 1,132 | | |
| 99.0 | Total obligations | 33,153 | 38,725 | 41,154 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 3,087 | 3,256 | 3,375 |
| Full-time equivalent of other positions | 209 | 218 | 218 |
| Average number of all employees | 3,049 | 3,207 | 3,386 |
| Average GS grade | 5.0 | 5.0 | 5.0 |
| Average GS salary | $5,604 | $5,920 | $5,952 |
| Average salary grades established by title 38 U.S.C | $9,594 | $10,135 | $10,184 |
| Average salary of ungraded positions | $4,715 | $4,756 | $4,814 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Operating costs: | | | |
| | 1. Medical research | 27,119 | 31,212 | 33,606 |
| | 2. Prosthetic research | 1,024 | 1,296 | 1,249 |
| | Total operating costs, funded | 28,143 | 32,508 | 34,855 |
| | Capital outlay: | | | |
| | 1. Medical research | 3,866 | 6,198 | 6,273 |
| | 2. Prosthetic research | 12 | 19 | 26 |
| | Total capital outlay | 3,878 | 6,217 | 6,299 |
| | Total program costs, funded | 32,021 | 38,725 | 41,154 |
| | Changes in selected resources [1] | 1,132 | | |
| 10 | Total obligations | 33,153 | 38,725 | 41,154 |
| | Financing: | | | |
| 16 | Comparative transfers to other accounts | 34 | | |
| 21 | Unobligated balance available, start of year | −648 | −1,203 | −261 |
| 24 | Unobligated balance available, end of year | 1,203 | 261 | |
| | New obligational authority | 33,742 | 37,783 | 40,893 |
| | New obligational authority: | | | |
| 40 | Appropriation | 33,742 | 37,000 | 40,893 |
| 44 | Proposed supplemental due to civilian pay increases | | 783 | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 33,153 | 38,725 | 41,154 |
| 70 | Receipts and other offsets (items 11–17) | 34 | | |
| 71 | Obligations affecting expenditures | 33,187 | 38,725 | 41,154 |
| 72 | Obligated balance, start of year | 3,318 | 4,156 | 3,322 |
| 74 | Obligated balance, end of year | −4,156 | −3,322 | −4,576 |
| 90 | Expenditures excluding pay increase supplemental | 32,349 | 38,802 | 39,874 |
| 91 | Expenditures from civilian pay increase supplemental | | 757 | 26 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963: $1,286 thousand (1964 adjustments—$8 thousand); 1964, $2,410 thousand; 1965, $2,410 thousand; 1966, $2,410 thousand.

Mr. EVINS. Your "Medical and prosthetic research" summary requirements are shown on pages 3–2, 3–3, and 3–4. We will place those pages in the record.

(The pages follow:)

MEDICAL AND PROSTHETIC RESEARCH

APPROPRIATION LANGUAGE

For expenses necessary for carrying out programs of medical and prosthetic research and development, as authorized by law, to remain available until expended, $40,893,000, of which $1,275,000 shall be for prosthetic research and development activities.

GENERAL STATEMENT

Program activities funded from this appropriation are:

1. *Medical research.*—Medical research projects are conducted in Veterans Administration laboratories or in universities or other institutions on a contract basis, whichever is more advantageous or economical.

In addition to amounts provided for the medical research programs by direct appropriation, an amount of $9,116,000 was available in fiscal year 1964 in grants from the National Institutes of Health and from other organizations sponsoring research. Of this amount, $1,495,000 represents grants made directly to the Veterans Administration, and grants totaling $7,621,000 made to various medical schools with which VA hospitals are affiliated. It is anticipated that approximately the same level of funding from these outside sources will be available in fiscal years 1965 and 1966. This estimate does not include funding of research construction projects which are a part of the construction of hospitals and domiciliaries facilities appropriation.

2. *Prosthetic research.*—This is a research program to develop and test prosthetic, orthopedic, and sensory aids for the purpose of improving the care and rehabilitation of disabled eligible veterans, including amputees, paraplegics, and the blind.

*Summary of employment by activity and costs by activity and object*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employment (average full-time employment): | | | | |
| Medical research | 2,997 | 3,151 | 3,330 | +179 |
| Prosthetic research | 32 | 36 | 36 | |
| Total | 3,029 | 3,187 | 3,366 | +179 |
| Consultants (full-time employment) included above | (32) | (33) | (33) | |
| Full-time equivalent of terminal leave | 20 | 20 | 20 | |
| Total including terminal leave | 3,049 | 3,207 | 3,386 | +179 |
| Average payroll cost | $7,352 | $7,738 | $7,805 | +$67 |
| Costs by activity: | | | | |
| Medical research | 30,984,618 | 37,409,567 | 39,879,000 | +2,469,433 |
| Prosthetic research | 1,036,208 | 1,315,820 | 1,275,000 | −40,820 |
| Total costs | 32,020,826 | 38,725,387 | 41,154,000 | +2,428,613 |
| Costs by object: | | | | |
| 11 Personnel compensation | 20,769,196 | 23,048,000 | 24,555,000 | +1,507,000 |
| 12 Personnel benefits | 1,500,833 | 1,613,000 | 1,718,000 | +105,000 |
| 10 Personal services and benefits | 22,270,029 | 24,661,000 | 26,273,000 | +1,612,000 |
| 21 Travel and transportation of persons | 298,657 | 325,000 | 359,000 | +34,000 |
| Employee | (297,630) | (320,000) | (353,000) | +(33,000) |
| Beneficiary | (1,027) | (5,000) | (6,000) | +(1,000) |
| 22 Transportation of things | 38,784 | 55,000 | 60,000 | +5,000 |
| 23 Rent, communications, and utilities | 165,996 | 265,000 | 287,000 | +22,000 |
| 24 Printing and reproduction | 48,760 | 68,000 | 76,000 | +8,000 |
| 25 Other services | 2,193,192 | 2,961,820 | 3,092,000 | +130,180 |
| 26 Supplies and materials | 3,126,745 | 4,172,097 | 4,708,000 | +535,903 |
| 31 Equipment for existing facilities | 2,731,612 | 3,700,000 | 4,059,000 | +359,000 |
| Equipment for construction projects | 924,587 | 2,142,470 | 1,745,000 | −397,470 |
| 32 Lands and structures | 222,464 | 375,000 | 495,000 | +120,000 |
| Total costs | 32,020,826 | 38,725,387 | 41,154,000 | +2,428,613 |
| Costs adjusted for other years, net | +1,132,085 | | | |
| Total obligations | 33,152,911 | 38,725,387 | 41,154,000 | +2,428,613 |
| Unobligated balance brought forward | −648,298 | −1,203,387 | −261,000 | +942,387 |
| Unobligated balance carried forward | +1,203,387 | +261,000 | | −261,000 |
| Comparative transfer to other appropriations | [1]+34,000 | | | |
| Total appropriation estimate | 33,742,000 | 37,783,000 | 40,893,000 | +3,110,000 |

[1]Personnel compensation and benefits for 3 employees transferred from medical research to the Department of Data Management.

*Positions by grade and average employment*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+), or decrease (−) |
|---|---|---|---|---|
| Permanent positions: | | | | |
| Assistant Chief Medical Director | 1 | 1 | 1 | |
| GS–16 | 1 | 1 | 1 | |
| GS–15 | 11 | 11 | 11 | |
| GS–14 | 75 | 78 | 82 | +4 |
| GS–13 | 176 | 185 | 192 | +7 |
| GS–12 | 104 | 110 | 116 | +6 |
| GS–11 | 128 | 136 | 143 | +7 |
| GS–10 | 22 | 23 | 24 | +1 |
| GS–9 | 279 | 295 | 310 | +15 |
| GS–8 | 50 | 53 | 55 | +2 |
| GS–7 | 486 | 512 | 536 | +24 |
| GS–6 | 203 | 215 | 222 | +7 |
| GS–5 | 445 | 474 | 487 | +13 |
| GS–4 | 380 | 400 | 412 | +12 |
| GS–3 | 131 | 138 | 143 | +5 |
| GS–2 | 33 | 35 | 37 | +2 |
| GS–1 | 8 | 8 | 9 | +1 |
| Medical Director | 9 | 10 | 10 | |
| Executive grade physicians | 5 | 7 | 7 | |
| Chief grade physicians and dentists | 9 | 10 | 11 | +1 |
| Senior grade physicians and dentists | 5 | 7 | 8 | +1 |
| Intermediate grade physicians and dentists | 66 | 72 | 77 | +5 |
| Full grade physicians and dentists | 1 | 1 | 1 | |
| Chief grade nurse | 3 | 4 | 5 | +1 |
| Ungraded positions at hourly rates | 456 | 470 | 475 | +5 |
| Total permanent positions | 3,087 | 3,256 | 3,375 | +119 |
| Deduct: | | | | |
| Lapses | −247 | −267 | −207 | +60 |
| Equivalent of terminal leave | −20 | −20 | −20 | |
| Add: Other than permanent | 209 | 218 | 218 | |
| Average employment | 3,029 | 3,187 | 3,366 | +179 |

COMMINGLING OF RESEARCH FUNDS

Mr. EVINS. Medical research is conducted in the VA hospitals, on a contract basis or in laboratories at the universities.

In addition to amounts for medical research by direct appropriation, an amount of $9,116,000 was available in 1964 in grants from the National Institutes of Health. These are your outside sources that make contributions. Of this amount, $1,495,000 represents grants made directly to the Veterans Administration and grants totaling $7,621,000 made to various medical schools with which VA is affiliated.

This estimate does not include funding of research construction projects shown in another volume.

Mr. THOMAS. You have $5 million for that.

Why should they receive funds from another Government agency for carrying on their research? Why can't each agency pay its own bills? We see a lot of it from various agencies. They are engaged in a research program and so is NIH. Why let funds be commingled? This is what it amounts to.

Dr. MCNINCH. Mr. Chairman, our projects are proposed by VA personnel which are submitted to the university through channels, and to the National Institutes of Health, and they there compete for quality and desirability with the other projects that are submitted by medical research personnel in the nation and are judged sufficiently

worthwhile, sufficiently backed up by competent personnel and research opportunities that the study sections of the National Institutes of Health recommend this support.

Mr. THOMAS. We understand the theory behind it.

RESEARCH EXAMPLES

Mr. EVINS. I think these tables on 3–9 and 3–10 show you the type of research that the doctor is providing. These are the samples.

Dr. MCNINCH. Yes, sir.

Mr. EVINS. Here are the increases: Extend research to two VA hospitals establishing new medical schools. That doesn't tell us much.

Extend the medical aspects of organ transplant research to one additional VA hospital.

Increase support of the endocrine program at selected hospitals.

Support the medical aspects of chronic dialysis in four additional locations.

Explore the cardiovascular uses of hyperbaric chambers in two VA hospitals; establish one hyperbaric facility for research using animals; and support basic studies of the hyperbaric state in man.

Support surgical research in four additional VA hospitals and establish research in physical sciences in surgery.

Intensify existing mental health research programs and initiate programs in additional locations.

Promote development and provide support for new, unexplored areas of neurological research.

Establish two satellite laboratories for basic research in the aging process in which outstanding university investigators may participate.

Initiate two pilot hospital programs in clinical aging research.

Initiate pulmonary disease research in one additional VA hospital.

Develop one additional laboratory to use radioisotope techniques in research.

Dr. MCNINCH. I have a summary of recent developments in the medical research program of the VA. During the past year we were invited by the President's Commission on Heart Disease, Cancer and Stroke, to appear before them and tell them of our research program in the VA, and we are very pleased to find that in their report which they rendered, they were very complimentary of the VA.

Mr. EVINS. I wanted to read this in the record, and I will be fair and objective. I have put here "This is a good endorsement by the President's Commission on Heart Disease."

This is their best bouquet. They say this:

> The VA is carrying on a vigorous program of fundamental clinical research. Its staff participated in more than 6,500 projects in 1964 and 2,000 of them related to heart disease, cancer, and neurological diseases. Much of this research effort is conducted in association with 78 VA-affiliated medical schools.

Now, these schools are doing this. The National Institutes of Health are doing it. Private institutions, private foundations are doing this, and then you go on:

> In the area of education and training nearly 18,000 undergraduates, students in medicine and allied fields received some part of their training in VA facilities. Among these 10 percent of the Nation's medical residents. The Commission com-

mends this major contribution to the Nation's research and training effort and urges the administration be supported in further developing these vitally important programs.

Mr. THOMAS. Mr. Evins, will you yield?

Mr. EVINS. Yes.

RESEARCH IN MENTAL HEALTH

Mr. THOMAS. And they very carefully plow around the big field: mental diseases. The VA got into the research business on the ground that they had the patients. They had the records and were therefore better qualified than anybody else. They have the patients in the mental field and they have the records, and yet what are they doing; everything except that.

What are you doing, Doctor, in research in the field of mental health?

Are you relying on the National Institutes of Health? You have the records and the patients.

Dr. MUSSER. We sent to the committee in the last few days a report of 10 years of cooperative study that has to do with the various drugs used in research. This has been one of the outstanding contributions to the treatment of psychiatric patients and by virtue of this we have been able to treat twice as many patients per year——

Mr. THOMAS. You are talking about research. That, and giving them a pill is something else.

Does the profession know any more about why a man goes crazy or why he loses his memory than they did 200 years ago?

Dr. MUSSER. Yes, sir. There has been a considerable change in the concept of psychiatry. Only 10 years ago it was felt that people became mentally ill solely by virtue of the stresses to which they were subjected in their lives. Since that time there has been a tremendous increase in the amount of study of the chemistry and biochemistry that has to do with these diseases. We have some of the most distinguished people in the field working on the biochemical and other metabolic causes of some of these psychiatric disturbances.

I think we are making progress and have a great deal more knowledge of most of these diseases than we had 8 or 10 years ago. We don't know the cause of schizophrenia, yet, and it may be some time before we do. On the other hand, central nervous system syphilis was not understood for a great many years before we found it was due to infection. This is just part of the progress being made and I think without research we would have no hope of ever learning the causes of the disease.

In the last 5 years with which I am acquainted, I think the psychiatric program in the VA has made tremendous progress.

Mr. THOMAS. What have you accomplished?

Dr. MUSSER. We have much better qualified physicians, mainly because we have been able to obtain physicians of the caliber who could make research contributions and also to provide better care for patients. We have been able to acquire these distinguished scientists who are working with some of the basic causes of these psychiatric diseases. We have made this tremendous contribution in the role of drugs.

I can read you a list of additional cooperative studies in psychiatry that we plan. They are now underway and I think will improve our situation even more.

Mr. THOMAS. Is it generally accepted as a medical fact that certain types of insanity are inheritable?

Dr. MUSSER. There is a growing feeling that it is a 1 plus 1 equals 2 situation.

In other words, in schizophrenia, for instance, it is felt that a person has a much better chance of developing the disease if he has characteristics which he has inherited, and then added to this there are either environmental stresses which precipitate the disease, or biochemical, and metabolic changes that contribute to the disease.

Mr. THOMAS. From the standpoint of biochemistry, does the profession know how it originates and what is the conductor of these weaknesses in the human body?

Dr. MUSSER. No, sir. We don't know that, yet.

Mr. THOMAS. That is pure and basic research. What have you done? The VA has treatment in the form of drugs, sedatives or whatever you want to call them, but as far as basic knowledge is concerned, you don't know any more now than you did 50 or 75 years ago as to why——

Dr. MUSSER. We know a great deal more. There have been a great many studies. Dr. Timm is acquainted with the work of Dr. Cameron.

Mr. THOMAS. Where is he located?

Dr. MUSSER. He is at our hospital in Albany, now. He was professor of psychiatry of McGill University in Canada. He joined the Veterans Administration in the past year and now has a laboratory at Albany.

Mr. THOMAS. What field is he engaged in in basic research? What are his activities? Is he engaged in basic research, or in treatment, or what?

Dr. TIMM. He is in basic research, essentially, working with the ribonucleic acids, which are the chemical moieties involved in heredity.

Mr. THOMAS. He is getting into the field of biochemistry, now?

Dr. TIMM. Yes, sir. And these substances apparently are very fundamental in many of the basic reactions that are going on, particularly in the nervous system.

Dr. Cameron has been working particularly with the effects of ribonucleic acid being administered to old patients. He has been able to demonstrate certain specific effects on memory and recall in the old patients.

Similar work dealing with the biochemistry of tryptophane and its relation to serotonin may well clear up some of the lack of knowledge that we have about why tranquilizers, for example, the drug therapies of the psychoses, work. We know that they work. They work differently in patient A than they do in patient B.

Mr. THOMAS. Have the mental people come up with a detection process at childbirth? Say a child is born. Can they tell within 12 or 15 hours whether this child is going to be a mongoloid?

Dr. TIMM. I am not aware of any specific tests for monogolism, but for certain other forms of mental deficiency that are related to specific inborn metabolic errors.

Mr. THOMAS. Have they come up with some chemical that goes a long way toward relieving a mongoloid?

Dr. TIMM. Not necessarily the mongoloid. Certain forms of mental deficiency related to it.

Mr. THOMAS. A different degree of deficiency?

Dr. TIMM. Yes, sir.

Mr. THOMAS. Who came up with that? Wasn't that a breakthrough?

Dr. TIMM. I can't tell you who came up with it.

Mr. THOMAS. It has been in the last 3 to 5 years, hasn't it?

Dr. TIMM. Yes, sir. That is, phenyl pyruvic oligophrenia is one of them, and then the galactosemias, which is an interesting one, where the infant cannot tolerate milk, and if he is given milk, he simply does not develop mentally. There are probably some others that are going to be picked up this way as a result of the study in the field of heredity.

Mr. THOMAS. We have had the high privilege of having with the committee one of the great biochemists of the country. He is head of the Department at——

Mr. JONAS. Duke University. You are referring to Dr. Handler.

Mr. THOMAS. Yes. He comes in and gives us a lecture every now and then.

Isn't progress made in the mental field a direct result of these biochemists?

Dr. TIMM. Mainly, yes.

Mr. THOMAS. If there is any answer it is felt the answer will lie in that field.

Dr. MUSSER. The brain is a pretty hard organ to study and get at. We are not in a position to take out a piece of it and study it. You have to do many of these studies by indirection. This is why the drug studies are so important.

Mr. THOMAS. Certainly you can do that study in biochemistry, though, for many types of patients?

Dr. MUSSER. That is right, but this drug, Dr. Timm mentioned having to do with serotonin——

Mr. THOMAS. What is that?

Dr. MUSSER. This is one of the chemical substances that has been found to be important in the transmission of impulses in the nervous system.

One of the interesting things that was reported at our recent meeting in New Orleans was a comparative study of patients with schizophrenia receiving various types of drugs, and the amount of serotonin that could be measured in their bloodstreams as compared to normal people, and it was very definitely shown there was a distinctive difference in the response of the schizophrenic patient to the drug than the normal. Now, I think this is an interesting step forward because some of these things are the first manifestations of a different biochemical reaction

than the psychotic patient, from the normal, and this has been the problem all the way along.

You will remember Dr. Seymore Kety at Johns Hopkins just about 3 years ago analyzed all the literature having to do with psychiatric disease and he was analyzing it in terms of the positive abnormalities that up to that time had been established. He found there had not been a single one. Therefore some of these things that we are observing today get to be much more significant.

Mr. JONAS. Will you yield, Mr. Chairman?

Mr. THOMAS. Yes.

LEVEL OF RESEARCH IN VA

Mr. JONAS. Doctor, we have seen this research program go, in this committee, from zero to $40 million. Do you have any plans or projections—you want to go up $2.5 million next year. Do you have any projections that would indicate when you are going to level off or is the sky the limit? Do you contemplate continuing to expand this research program?

Dr. MCNINCH. The Veterans Administration program has been operating on agreements that my predecessor, Dr. Middleton, made with the Bureau of the Budget several years ago, looking forward to what was described as an orderly growth of 10 percent per year.

Mr. JONAS. You left out the Appropriations Committee in that little contract, didn't you?

Dr. MCNINCH. I am sure the Appropriations Committee must have heard about this each year.

Mr. THOMAS. We have seen it.

Dr. MCNINCH. I think the answer as to whether it will level off depends on the national need and the national policies on research, on the contributions the VA can make to research; the unique opportunities, if they exist, in the VA system—whether it is 110,000 patients or 700,000 patients treated each year.

Mr. JONAS. We all recognize the great contribution and the great success the VA had in research in the field of tuberculosis. Can you name any other important field that you have had equal success in?

RESEARCH ACCOMPLISHMENTS

Dr. MCNINCH. I would like to mention two of our new programs that are provided.

Mr. JONAS. Doctor, these long technical names—we know what heart disease and stroke are, and cancer and tuberculosis.

Can you name any generally known fields, in layman's language, that you can cite where you have had marked success?

Dr. MCNINCH. I want to point out two new programs and then go back a little bit. The two new programs are, first, a treatment program in pulmonary emphysema, which is the thing that is following tuberculosis, now, as a problem among the chronic respiratory diseases. This is becoming far more prevalent in the Veterans Administration due to change in age of veterans.

The other is the inauguration of 11 centers where there are patients who would normally die of chronic kidney disease and can now be maintained on an artificial kidney.

The advances in treatment of diseases are not completely the result of research in VA, but the one on emphysema is largely the result of VA research. Research on the use of the artificial kidney for chronic kidney disease has been done by many people besides those in the VA.

How important they are to others than us—last week I received a report of a conference of the Surgeon General in the Public Health Service, with State and territorial health offices which met here in Washington last November. We were not part of this conference, but the report did come to my desk. It had a number of major recommendations listed in it, and I was very much interested to note that two of them concerned pulmonary emphysema and chronic kidney disease, pointing out a great deal of progress has been made in these two very important diseases and that the Nation should begin to move in the direction of their treatment.

Mr. JONAS. Thank you.

Where was the research conducted in the field of pulmonary emphysema?

Dr. MCNINCH. Mostly Madison, Wis., sir.

Mr. JONAS. Who made the principal discoveries? Give him a little credit.

Dr. MUSSER. Dr. John Curtis and Dr. Edna Kree.

Mr. JONAS. Were they VA employees or consultants?

Dr. MUSSER. They are VA employees. Dr. Curtis has been a member of the Veterans Administration since 1948 and Dr. Edna Kree joined not long thereafter.

Mr. JONAS. Where did you do the kidney work?

Dr. MUSSER. The kidney work largely has been done in the Veterans Administration in three places: Seattle, Wash.; Hines, outside of Chicago; and in Los Angeles.

Mr. JONAS. Who gets credit for the progress made in that field?

Dr. MUSSER. We have, by great good fortune, at least a dozen very able physicians in kidney disease and each one has received a great deal of credit by the scientific community for his work and the contributions they have made.

Mr. JONAS. Are they regular VA employees?

Dr. MUSSER. Yes, sir. I think it should be made very clear that all the research we are talking about is being done by Veterans Administration people.

Mr. JONAS. You have some consultants you give grants to——

Dr. MUSSER. They may collaborate, sir; but, except for the rather small amount of contractual research which we do, all the research we support is the research of Veterans Administration people.

Mr. JONAS. You say at page 3–17 you had 12 regional offices and independent outpatient clinics where this work was done.

Dr. MUSSER. There is very little work done in the regional office and the outpatient clinic.

We have some projects in aging and, in the Spanish-American War study, this is being conducted in the outpatient——

Mr. DRIVER. These are VA installations, however.

Dr. MUSSER. That is right, but most of our research is done in our hospitals.

Mr. JONAS. I know most of it is, but I didn't think all of it was, by VA employees.

Dr. MUSSER. Ninety-nine percent of it is; yes, sir.

USE OF CONSULTANTS IN VA RESEARCH

Mr. JONAS. You have $350,000 you paid to consultants last year within the research field; is that not right?

Mr. THOMAS. I thought most of your research was supervised by the professors in medical colleges. It may be in your physical properties, but I have been to a lot of your hospitals near the medical centers and half the people I would see would be the professors from the nearby university over there doing the actual research themselves, or supervising it among your own people.

Dr. MUSSER. Sir, I was Director of the Research Service starting in 1959, and it has long been the policy that no member of a university is paid any money for actual participation in research in a VA hospital.

Mr. THOMAS. I didn't raise the question of payment of money. I am saying who is actually furnishing the brains and doing the work?

Dr. MUSSER. When we need technical assistance, we may pay a consultant for that.

RESEARCH BY VA EMPLOYEES

Mr. JONAS. One other question for the record: The people who are engaged in this research, you said 99 percent are regular VA employees. Are they doing this research in extra time, or off hours, or are they employed to do research only, or with their other duties?

Dr. MUSSER. We have very few people—scientists, doctors—who are employed on research funds. We have a clinical investigative program which is a program that is made available to outstanding young men who have shown some aptitude in research and this provides them with a period of 3 years of opportunity to continue with their research activities in a VA hospital. We have some 70 of these on duty, now.

We employ approximately 20 other physicians on research funds. Now, the rest of our physicians are paid from the medical care budget. Their time devoted to research varies a great deal. A small portion of it, studies have shown, is done during their daytime working hours. However, the bulk of their research is done in their off-duty hours, weekends—a lot depends on the motivation of the individual and particularly the type of research he is doing.

Mr. JONAS. You have $26 million in here for personal services. All I was trying to find out is whether this is over and above—are these same people carried in your regular budget——

Dr. MUSSER. No, sir; this is over and above that.

Mr. JONAS. Well, they are in addition to your regular employees, the regular salaries, the employees in your hospitals.

Dr. MUSSER. These are biochemists, physiologists, and technicians that are essential to maintain the operations in research laboratories.

Mr. JONAS. I just want to know whether the $24 million could be considered in laymen's language as overtime?

Mr. MONK. No, sir.

Dr. MUSSER. Oh no; these people have no other source of income.

Dr. MCNINCH. When we talk about 70 persons, we are talking about physicians. Relatively few physicians who are paid from our funds spend full time in research.

In the research program in 1965 we estimated there would be 3,151 personnel employed full time as research personnel. This varies from Ph. D.'s to technicians, and the clerical, and everybody else.

Mr. JONAS. Are you telling us this entire budget for personnel compensation, the $24 million last year and the $25.9 million you are asking for this year, will pay the total cost, and the personnel listed are not paid in part out of other funds in addition to this?

Mr. DRIVER. That is right, Mr. Jonas. This is their only salary—the people who are paid here.

Mr. JONAS. They are not on two payrolls?

Mr. DRIVER. No, sir.

Mr. THOMAS. It is not charged to medical care, but to this research program, and the figure last year was around 2,800 and, as I remember, you increased it several hundred this year, and the regular doctors are paid out of medical care.

Mr. DRIVER. These people have nothing to do with treating patients.

Mr. JONAS. That is researchers?

Mr. DRIVER. No, sir.

Mr. EVINS. Doctor, how much of your $40 million appropriation actually goes into research?

Mr. THOMAS. Nearly two-thirds of it.

Mr. DRIVER. What do you mean it wouldn't?

Mr. EVINS. You have equipment, facilities, travel, pay, salary increases, in-grade promotions; how much money is actually expended on research?

Mr. DRIVER. In terms of supporting a research project, itself?

Mr. EVINS. Yes, sir. How much of this money is actually spent in research?

Mr. MONK. All of it is research.

Mr. EVINS. It is allocated to research, but how much of the money is actually spent for research?

Mr. THOMAS. Give him a good guess; two-thirds of it?

Mr. MONK. All of it is.

Mr. THOMAS. You have travel money, equipment, and material and so forth and so on.

Mr. MONK. But you spend this in connection with the research project.

Mr. THOMAS. You know what question is he asking.

Mr. MONK. I am not sure.

Mr. THOMAS. He wants to know about salaries.

RESEARCH SALARY COSTS

Mr. DRIVER. $25.9 million are salaries.

Dr. MCNINCH. Which is rather uniform throughout the Government and outside.

Mr. JONAS. $21 million you just say, "for other employees." You don't identify who they are, what they do or what connection they have with the program. You list consultants and physicians and then you throw in "other employees," and assign $21 million.

Who are these other employees?

Mr. WISE. Those are the classified, Mr. Jonas. These other physicians are under title 38. The different ones come under the classified act.

Mr. JONAS. The blue-collar people are listed separately.

Mr. THOMAS. They are technicians and so on, and the others are paid from a scientific schedule. The doctors range anywhere from 16's, 17's, and 18's, is that correct?

Mr. MONK. Not 18's.

Mr. THOMAS. Your top ones are 18.

Mr. MONK. Not in this area, sir.

Mr. THOMAS. Well, I am not missing it far.

Mr. EVINS. The Director is a 17.

Dr. MUSSER. Among the other employees there are some 800 Ph. D.'s involved in this basic research that we are talking about. I think we have been very fortunate in being able to recruit these people in order to provide this type of skill in our research program.

EMPLOYEES ENGAGED IN RESEARCH ACTIVITIES

Mr. JONAS. The answer to the question is you have only 242 people actually engaged in research and the proportion of this cost is not two-thirds, it is not even one-tenth, is it?

Dr. MUSSER. We have over 5,000 physicians——

Mr. JONAS. 3,330 is all you show.

Dr. MUSSER. Over half of all the physicians we have in the Veterans' Administration participate in research and in addition to that, the 3,000 people——

Mr. THOMAS. They might participate in it, but they are not paid with research funds. A Ph. D. can be engaged in research. He can be a biochemist and doesn't have to be an M.D.

Mr. Jonas wants a breakdown of your 3,330 people and some idea of what they do.

Out of them, 50 or 60 percent are technical people. Maybe they are laboratory technicians and so forth and so on; clerical people and those who keep the equipment; whatever you want to call them.

Next year give us a little more information. We have been here for 30 minutes trying to get this information and your justifications are far from being clear in that regard.

Mr. EVINS. At least, Mr. Chairman, we can put the table Mr. Jonas was referring to in the record. It is at the top of 3–15.

(The table follows:)

MEDICAL RESEARCH

*Summary of employment and costs by object*

| Costs by object | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+), or decrease (−) | |
|---|---|---|---|---|---|---|---|---|
| | FTE Employees | Cost | FTE Employees | Cost | FTE Employees | Cost | FTE employees | Cost |
| 10 Personnel compensation and benefits: | | | | | | | | |
| Consultants | 32 | $321,592 | 32 | $320,000 | 32 | $320,000 | | |
| Physicians | 98 | 1,419,468 | 103 | 1,589,000 | 113 | 1,743,000 | +10 | +$154,00 |
| Dentists | 4 | 51,478 | 6 | 82,000 | 7 | 96,000 | +1 | +14,000 |
| Research psychologists | 80 | 909,446 | 85 | 999,000 | 90 | 1,063,000 | +5 | +64,000 |
| Wage rate employees | 286 | 1,486,548 | 300 | 1,560,000 | 310 | 1,615,000 | +10 | +55,000 |
| Purchase and hire | 7 | 72,413 | 7 | 73,000 | 7 | 73,000 | | |
| Other employees | 2,490 | 17,724,336 | 2,618 | 19,708,000 | 2,771 | 21,031,000 | +153 | +1,323,00 |
| Total | 2,997 | 21,985,281 | 3,151 | 24,331,000 | 3,330 | 25,941,000 | +179 | +1,610,00 |

UNOBLIGATED FUNDS FOR RESEARCH

Mr. EVINS. How much carryover do you have in this field; $2 million?

Dr. MUSSER. The direct research support money carryover was approximately $200,000, and we talked this morning of the portable equipment money which was carried over also, and this amounts to approximately $1,200,000.

Mr. EVINS. A total of $1.4 million.

Dr. MUSSER. That is carried over; yes, sir.

Mr. JONAS. How much do you expect to obligate if you get this $40 million?

Dr. MUSSER. All of it.

Mr. JONAS. Didn't you—you didn't obligate $1.5 million last year.

Dr. MUSSER. You have to consider this in a little different context because $1.2 million for the portable equipment is dependent entirely upon the completion date of laboratory construction and therefore of the total amount of research money we had actually only $200,000 not obligated, and the great portion of this was for a piece of electronics equipment which wasn't delivered on time.

RESEARCH COSTS BY OBJECT

Mr. EVINS. Your object class 10 is for average salary increases. The object class 21 is for travel funds. Your object class 22 is the shipment of household effects. Your object class 23 is for rental of special items. It doesn't say what they are.

Object 24 is for printing and reproduction. Object 25 is for laboratory furniture. Object 26 is for office supplies, and maintenance supplies; and object 31 is for replacing obsolete and wornout equipment. Object 32 is for minor alterations. This consumes a large amount of your research money, which is not research.

We have mentioned program highlights and the commendations of the President's Committee. Are there any further questions on research?

PROSTHETIC RESEARCH

Prosthetic research: You want $1,275,000. You had $40,000 unobligated in 1964. You have a carryover in prosthetic research. We have been appropriating about $1 million a year.

Mr. MONK. We had a carryover of $40,000 at the beginning of 1965.

Mr. EVINS. The prosthetic appliances are interesting. Have you discovered anything you haven't already learned? Have you anything new perfected?

Dr. MCNINCH. The prosthetic limbs continue to be improved, although we are decreasing the money spent in this area. For several years they have worked on an electronic device a blind man can carry to locate obstructions. One of the problems has been to get something small enough that the individual could reasonably carry and still be large enough to throw out a beam of light, have it return, measure the time it took for that beam to travel and be recorded so the individual could detect the obstacle.

With the development of the laser beam, which we hear about, it seems to have a great deal of promise, and I think it would be possible to miniaturize this and it will be very helpful.

Mr. EVINS. This area of research has more than 50 percent contracted out.

Place in the record pages 3–23, 3–24, and the program highlights on 3–27 to 3–30.

(The pages follow:)

PROSTHETIC RESEARCH

INTRODUCTION

An appropriation of $1,275,000 is requested to cover operations of the prosthetic research program in fiscal year 1966. This is the same amount appropriated for this program in fiscal year 1965. Because of the availability in fiscal year 1965 of a $40,820 unobligated amount remaining from the fiscal year 1964 appropriation, the fiscal year 1966 request reflects a decrease of that amount from current-year expenditure levels.

Authority has been granted to the Veterans Administration by section 216, title 38, United States Code, to conduct a prosthetic research program and to make the results available so that all disabled persons may benefit. The complexity and relative unpredictability of prosthetics research require that funds be appropriated under the "no year" arrangement, to remain available until expended, in order to assure that projects undertaken can be carried forward to completion.

A comprehensive program of prosthetic education and information which disseminates the results of research already has contributed greatly to the rehabilitation of many disabled persons as well as veteran beneficiaries. The establishment of standards and specifications by the Veterans Administration and its programs for checking compliance have assured higher quality in the prostheses available for all disabled people. The Veterans Administration's efforts in prosthetic research and development have achieved international recognition.

*Summary of employment and cost by subactivity and object*

| Costs by object | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+), or decrease (−) | |
|---|---|---|---|---|---|---|---|---|
| | FTE employees | Cost | FTE employees | Cost | FTE employees | Cost | FTE employees | Cost |
| Employment (average FTE) | 32 | | 36 | | 36 | | | |
| Consultants (FTE) included above | | | (1) | | (1) | | | |
| Average payroll cost | | $8,898 | | $9,167 | | $9,222 | | +$55 |
| Costs by subactivity: | | | | | | | | |
| Intra-VA research | | 341,887 | | 493,820 | | 525,000 | | +31,180 |
| Contract research | | 694,321 | | 822,000 | | 750,000 | | −72,000 |
| Total costs | | 1,036,208 | | 1,315,820 | | 1,275,000 | | −40,820 |
| COSTS BY OBJECT | | | | | | | | |
| 10 Personnel compensation and benefits: | | | | | | | | |
| Consultants | | 786 | 1 | 8,000 | 1 | 8,000 | | |
| Dentist | 1 | 20,804 | 1 | 26,000 | 1 | 26,000 | | |
| Other employees | 31 | 263,158 | 34 | 296,000 | 34 | 298,000 | | +2,000 |
| Subtotal | 32 | 284,748 | 36 | 330,000 | 36 | 332,000 | | +2,000 |
| 21 Travel and transportation of persons: | | | | | | | | |
| Employee travel | | 13,579 | | 15,000 | | 18,000 | | +3,000 |
| Beneficiary travel | | 1,021 | | 2,000 | | 3,000 | | +1,000 |
| Subtotal | | 14,600 | | 17,000 | | 21,000 | | +4,000 |
| 22 Transportation of things | | 270 | | 1,000 | | 1,000 | | |
| 23 Rents, communication and utilities: | | | | | | | | |
| Communications | | 1,970 | | 4,000 | | 4,000 | | |
| Rental of equipment | | | | 2,000 | | 2,000 | | |
| Subtotal | | 1,970 | | 6,000 | | 6,000 | | |
| 24 Printing and reproduction | | 5,953 | | 11,000 | | 14,000 | | +3,000 |
| 25 Other services: | | | | | | | | |
| Repairs to furniture and equipment | | 1,189 | | 2,000 | | 2,000 | | |
| Other contractual services | | 696,910 | | 889,820 | | 842,000 | | −47,820 |
| Subtotal | | 698,099 | | 891,820 | | 844,000 | | −47,820 |
| 26 Supplies and materials: | | | | | | | | |
| Office supplies | | 1,985 | | 3,000 | | 3,000 | | |
| Books | | 1,304 | | 1,000 | | 1,000 | | |
| Operating supplies and materials | | 14,815 | | 36,000 | | 27,000 | | −9,000 |
| Subtotal | | 18,104 | | 40,000 | | 31,000 | | −9,000 |
| 31 Equipment: | | | | | | | | |
| Furniture and fixtures | | 3,815 | | 4,000 | | 4,000 | | |
| Medical, dental, and scientific equipment | | 8,649 | | 15,000 | | 22,000 | | +7,000 |
| Subtotal | | 12,464 | | 19,000 | | 26,000 | | +7,000 |
| Total costs | | 1,036,208 | | 1,315,820 | | 1,275,000 | | −40,820 |
| Costs adjusted for other years, net | | 108,612 | | | | | | |
| Total obligations | | 1,144,820 | | 1,315,820 | | 1,275,000 | | −40,820 |
| Unobligated balance brought forward | | 15,640 | | 40,820 | | | | +40,820 |
| Unobligated balance carried forward | | 40,820 | | | | | | +40,820 |
| Appropriation or estimate | | 1,170,000 | | 1,275,000 | | 1,275,000 | | |

PROGRAM HIGHLIGHTS

For fiscal year 1966, a total appropriation request of $1,275,000 is required for the VA prosthetic research program to meet the needs of severely disabled veterans. This request represents a decrease of $40,820 over the current year availability, but will permit continuation of several ongoing intra-VA research activities and undertaking certain new projects described herein. The bioengineering research service of the VA Prosthetics Center, located in New York City has been assigned additional responsibilities in the fields of artificial limbs and orthopedic braces and in investigations of wheel chairs, lifting devices, and orthopedic shoes.

Clinical application studies of major devices emanating from VA research program or submitted by outside developers will continue to be undertaken by VA's research staff in cooperation with selected field stations. Such studies have proved highly effective in the development of clinical insights to aid field specialists in the prescription and fitting of devices and in training the wearer so that maximal advantages are obtained. These studies also assist the manufacturers to improve their products, and serve as guidelines for establishment of standards and specifications.

Continued emphasis in intra-VA research on hearing aids will be placed on the correlation of clinical results with physical tests. A reduced program of contractual research on factors affecting selection of hearing aids will be directed to development of tests of greater discrimination under varying conditions. Special attention will be given to problems of multiple losses of vision and hearing. Contractual research on aids for the blind will continue with particular emphasis on the development of low-cost, yet efficient, reading machines and mobility devices.

*Intra-VA research*

The research staff of the prosthetic and sensory aids service will continue to administer the broad program of prosthetics research and associated educational activities as well as carry out research and a variety of other highly technical functions. The correlation and guidance of research projects will continue to be undertaken by means of site visits to contractors, review of reports, and technical conferences.

Development and evaluation of new techniques and devices will be performed by research personnel of the VA Prosthetics Center in New York City. The Center's bioengineering research service will become increasingly active in the forementioned studies of artificial limbs, braces, orthopedic shoes, wheelchairs, and lifting devices.

Clinical studies of major devices, involving selected clinic teams throughout the country, will be conducted. Besides yielding a great amount of clinical and research information, such studies already have served as an effective medium for introducing new techniques and devices.

The concept of fitting prostheses immediately after amputation is being investigated at the VA hospital located in Seattle, Wash. Appropriate fitting techniques and prosthetic components will be developed at that location with other investigative aspects being developed at the VA Prosthetic Center and by contractors. It is anticipated that this new approach in fitting amputees will result in earlier ambulation and fewer medical and prosthetic problems, with a resultant decrease in the periods of hospitalization presently required.

An intramural study will be continued on the study of specific physical properties of hearing aids, such as distortion and transient response, as related to speech discrimination and other clinical considerations.

To assure that the results of prosthetics research become available for the benefit of all disabled people, continuation of a wide variety of educational and information programs is essential. Training courses and seminars will be conducted to familiarize clinical personnel with new prosthetic developments.

Two issues of a prosthetic research bulletin are planned for distribution. Training films, program guides, technical manuals, and special reports also will be developed. Contributions will continue to be made to the Nation's steadily growing body of prosthetic literature. An increase of $3,000 under the employee travel limitation will be required to permit VA research personnel to carry out these responsibilities.

*Contractual research*

The major portion of VA prosthetic research, development, and evaluation projects will continue to be conducted under contractual arrangement with universities and other nonprofit institutions. A small amount of this work, primarily developmental, will be carried out by industrial laboratories having personnel with special skills. The field of prosthetics research is quite unique in that only a relatively small number of available, interested, and knowledgeable investigators exist who are dedicated to this type of research.

Contractual work to improve artificial limbs and braces is expected to decrease somewhat in fiscal year 1966. There will be a modest increase in intramural work, however, in these fields during the year.

Long range research on locomotion at the University of California at San Francisco will continue to be of great assistance in providing more efficient artificial limbs for leg amputees. The concepts evolved there also will be significantly applicable to the development of more useful orthopedic braces and orthopedic shoes. This contractor also will develop fitting techniques and prosthetic components for use in fitting amputees immediately after surgery, in support of similar efforts being studied intramurally.

Increasing knowledge of control problems, arising from work at UCLA, should allow development of improved components for artificial limbs and braces, allowing optimal combinations of body and auxiliary power to meet the needs of individual patients. New components for artificial arms will be developed, emphasizing voluntary wrist rotation for greater dexterity and internal controls to replace awkward external operating cables. The Veterans Administration is especially concerned with development of braces to meet the problems of paraplegics, quadriplegics, and hemiplegics. Spasticity and loss or disturbance of sensory feedback offer special challenges to designers.

Bionic Instruments will emphasize its efforts to miniaturize its object detector for the blind by using a more powerful laserlike lamp and tiny integrated circuit modules. The first task will be to develop a handheld flashlight-like structure suitable for mounting on a cane, to protect against overhanging objects. The same concepts and components can then be used for detecting curbs and stumbling blocks.

Continued support will be given to a broad spectrum of research and development on reading devices for the blind. Primary emphasis will be placed on development of a personal-type reading machine capable of improved speed, with its components also useful in meeting other specific needs of the blind.

The interaction between hearing aids and various types of hearing loss in relation to speech perception by patients requires extensive investigation. Contractual investigation to gain greater understanding of the effects of various physical properties such as distortion or transient response will allow better initial design, improved weighting of the results of physical tests used in selection of aids, and possible better selection of the aid best suited to an individual.

Mr. EVINS. This brings us down to "Medical care," Mr. Chairman.

Mr. THOMAS. That is a big item.

Mr. EVINS. I think you and the Administrator and Dr. Monk and the Comptroller have done a full day's work. Let's adjourn and come back tomorrow morning at 10 o'clock.

## MEDICAL CARE

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 733,346 | 781,685 | 783,605 |
| 11.3 | Positions other than permanent | 46,725 | 49,001 | 49,040 |
| 11.5 | Other personnel compensation | 14,464 | 15,142 | 14,935 |
| | Total personnel compensation | 794,535 | 845,828 | 847,580 |
| | Direct costs: | | | |
| | Personnel compensation | 790,227 | 841,078 | 842,138 |
| 12.0 | Personnel benefits | 60,021 | 64,289 | 64,356 |
| 21.0 | Travel and transportation of persons | 9,049 | 9,117 | 8,953 |
| | Employee travel | 851 | 861 | 863 |
| 22.0 | Transportation of things | 1,870 | 1,900 | 1,865 |
| 23.0 | Rent, communications, and utilities | 19,896 | 20,935 | 20,920 |
| 24.0 | Printing and reproduction | 765 | 957 | 936 |
| 25.1 | Other services | 14,717 | 18,214 | 21,402 |
| | Medical and dental fees | 10,401 | 10,613 | 10,813 |
| | Contract nursing homes | | | 8,000 |
| | Contract hospitalization, non-Federal | 7,393 | 7,438 | 7,438 |
| 25.2 | Services of other agencies | 8,892 | 9,468 | 9,467 |
| 26.0 | Supplies and materials | 91,923 | 93,391 | 97,296 |
| | Provisions | 45,095 | 45,210 | 44,677 |
| 31.0 | Equipment | 22,660 | 20,938 | 23,079 |
| 32.0 | Lands and structures | 2,817 | 2,482 | 15,169 |
| 41.0 | Grants, subsidies, and contributions | 7,582 | 7,679 | 8,843 |
| | Subtotal | 1,094,162 | 1,154,670 | 1,186,215 |
| 95.0 | Quarters and subsistence charges | −8,365 | −8,806 | −8,672 |
| | Total direct costs | 1,085,797 | 1,145,864 | 1,177,543 |
| | Reimbursable costs: | | | |
| | Personnel compensation | 4,308 | 4,750 | 5,442 |
| 12.0 | Personnel benefits | 327 | 363 | 420 |
| 25.1 | Other services | 80 | 104 | 120 |
| 26.0 | Supplies and materials | 501 | 528 | 624 |
| | Provisions | 246 | 255 | 294 |
| | Total reimbursable costs | 5,462 | 6,000 | 6,900 |
| | Total costs, funded | 1,091,258 | 1,151,864 | 1,184,443 |
| 94.0 | Change in selected resources | 4,783 | | |
| 99.0 | Total obligations | 1,096,041 | 1,151,864 | 1,184,443 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 124,501 | 125,607 | 124,387 |
| Full-time equivalent of other positions | 7,266 | 7,338 | 7,280 |
| Average number of all employees | 131,079 | 132,116 | 130,948 |
| Average GS grade | 5.0 | 5.0 | 5.0 |
| Average GS salary | $5,604 | $5,920 | $5,952 |
| Average salary, grades established by 38 U.S.C. 73 | $9,594 | $10,135 | $10,184 |
| Average salary of ungraded positions | $4,715 | $4,756 | $4,814 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Direct operating costs: | | | |
| | 1. Maintenance and operation of VA facilities: | | | |
| | (a) Neuropsychiatric hospitals | 294,865 | 305,724 | 311,077 |
| | (b) General hospitals | 575,800 | 620,509 | 616,132 |
| | (c) Nursing home care | | 1,913 | 8,670 |
| | (d) Domiciliary care | 30,540 | 31,212 | 26,622 |
| | (e) Outpatient care | 123,471 | 126,545 | 131,147 |
| | (f) Miscellaneous benefits and services | 11,776 | 11,956 | 11,899 |
| | 2. Contract care: | | | |
| | (a) Hospitalization | 16,285 | 16,906 | 16,905 |
| | (b) Nursing home | | | 8,000 |
| | 3. Grants for State home care: | | | |
| | (a) Domiciliary | 7,582 | 6,936 | 6,593 |
| | (b) Nursing home | | 743 | 2,250 |
| | Total direct operating costs, funded | 1,060,319 | 1,122,444 | 1,139,295 |
| | Capital outlay: | | | |
| | 1. Maintenance and operation of VA facilities: | | | |
| | (a) Neuropsychiatric hospitals | 6,657 | 5,879 | 10,357 |
| | (b) General hospitals | 16,957 | 16,269 | 26,032 |
| | (d) Domiciliary care | 779 | 709 | 1,276 |
| | (e) Outpatient care | 1,085 | 563 | 583 |
| | Total capital outlay | 25,477 | 23,420 | 38,248 |
| | Total direct program costs, funded | 1,085,797 | 1,145,864 | 1,177,543 |
| | Reimbursable program: | | | |
| | 1. Maintenance and operation of VA facilities: | | | |
| | (b) General hospitals | 5,204 | 5,717 | 6,612 |
| | (e) Outpatient care | 257 | 283 | 288 |
| | Total reimbursable program costs | 5,462 | 6,000 | 6,900 |
| | Total program costs, funded | 1,091,258 | 1,151,864 | 1,184,443 |
| | Change in selected resources [1] | 4,783 | | |
| 10 | Total obligations | 1,096,041 | 1,151,864 | 1,184,443 |
| | Financing: | | | |
| | Receipts and reimbursements from: | | | |
| 11 | Administrative budget accounts | −3,805 | −4,300 | −5,326 |
| 14 | Non-Federal sources (38 U.S.C. 611) | −1,657 | −1,700 | −1,700 |
| 16 | Comparative transfers to other accounts | 863 | | |
| 25 | Unobligated balance lapsing | 185 | | |
| | New obligational authority | 1,091,627 | 1,145,864 | 1,177,417 |
| | New obligational authority: | | | |
| 40 | Appropriation | 1,091,643 | 1,115,935 | 1,177,417 |
| 41 | Transferred to "Operating expenses, Public Buildings Service," General Services Administration (77 Stat. 436) | −16 | | |
| 43 | Appropriation (adjusted) | 1,091,627 | 1,115,935 | 1,177,417 |
| 44 | Proposed supplemental due to civilian pay increases | | 29,929 | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 1,096,041 | 1,151,864 | 1,184,443 |
| 70 | Receipts and other offsets (items 11–17) | −4,598 | −6,000 | −7,026 |
| 71 | Obligations affecting expenditures | 1,091,443 | 1,145,864 | 1,177,417 |
| 72 | Obligated balance, start of year | 71,307 | 49,096 | 57,867 |
| 74 | Obligated balance, end of year | −49,096 | −57,867 | −67,284 |
| 77 | Adjustments in expired accounts | −2,059 | | |
| 81 | Balance not available, start of year | | 144 | |
| 82 | Balance not available, end of year | −144 | | |
| 90 | Expenditures excluding pay increase supplemental | 1,111,451 | 1,108,143 | 1,167,165 |
| 91 | Expenditures from civilian pay increase supplemental | | 29,094 | 835 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $8,758,000 (1964 adjustments, −$114,000); 1964, $13,427,000; 1965, $13,427,000; 1966, $13,427,000.

Mr. EVINS. The committee will come to order.

We will resume our discussion of the Department of Medicine and Surgery.

APPROPRIATION LANGUAGE

We will insert in the record at this point the appropriation language in which $1,177,417,000 is requested for the Department of Medicine and Surgery. This is on page 4–5.

(The page follows:)

MEDICAL CARE

For expenses necessary for the maintenance and operation of hospitals, nursing homes, and domiciliary facilities; for furnishing, as authorized by law, inpatient and outpatient care and treatment to beneficiaries of the Veterans' Administration including care and treatment in facilities not under the jurisdiction of the Veterans Administration, and furnishing recreational articles and facilities; maintenance, operation, and acquisition of farms and burial grounds; repairing, altering improving, or providing facilities in the several hospitals and homes under the jurisdiction of the Veterans Administration, not otherwise provided for, either by contract, or by the hire of temporary employees and purchase of materials; purchase of eight passenger motor vehicles for replacement only; uniforms or allowances therefor as authorized by law (5 U.S.C. 2131); and aid to State homes as authorized by section 641 of title 38, United States Code; $1,177,417,000, plus reimbursements: *Provided*, That allotments and transfers may be made from this appropriation to the Department of Health, Education, and Welfare (Public Health Service), the Army, Navy, and Air Force Departments, for disbursements by them under the various headings of their applicable appropriations, of such amounts as are necessary for the care and treatment of beneficiaries of the Veterans Administration.

Mr. EVINS. Dr. McNinch, I notice in your chart on page 4–14 your request is $1,184,443,000. The two figures do not reconcile.

Dr. MCNINCH. The first figure is only for the hospital and medical care part of the program. The total appropriation is the latter figure.

Mr. EVINS. The $1,177,417,000 is for medical care?

Dr. MCNINCH. That is right.

Mr. EVINS. And the $1,184,443,000 includes——

Mr. WISE. It also includes quarters, subsistence, and other reimbursements which bring us up to the amount of the appropriation request.

Mr. EVINS. That is in addition to what is contained in the appropriation language. You mention that allotments and transfers may be made from this appropriation to the Department of Health, Education, and Welfare and Public Health Service and to the Army, Navy, and Air Force. What do they do for you that you do not do yourselves by way of taking care of veterans?

Dr. MCNINCH. We contract for beds.

Mr. EVINS. I think you have been using Army, Navy, and Air Force hospital beds at a lot of stations where they have surplus space and facilities. Is it necessary to build veterans hospitals where you have an abundance of military quarters and facilities?

Dr. MCNINCH. I don't think it is, sir, and I don't believe we are.

Mr. EVINS. Your green sheet, 4–6, shows 129,361 personnel to be used in the Department of Medicine and Surgery. That is a very large staff, of course, for the biggest hospital program in the country.

SUMMARY MATERIAL

Your summary material begins on page 4–7. The hospitals that you are proposing to close, I believe a list of them is shown on page 4–7. We shall place in the record at this point pages 4–7 through 4–10 and follow that with the green sheet on 4–6.

(The pages follow:)

MEDICAL CARE

GENERAL STATEMENT

This appropriation provides for expenses necessary for maintenance and operation of VA hospitals, nursing home care facilities, domiciliaries, and clinics, and care and treatment of eligible beneficiaries in contract hospitals, nursing homes, and State homes.

Among the more significant changes in medical care program operating levels contemplated by this estimate for fiscal year 1966 are the following:

1. Implementation of provisions of Public Law 88–450 which authorize the furnishing of nursing home care to eligible veterans in VA facilities and under contractual arrangement in non-VA facilities. Of the 4,000 VA nursing care beds authorized by the Congress, the agency plans to have about 1,000 beds in operation by the close of fiscal year 1965, another 1,000 activitated during fiscal year 1966, and additional beds in fiscal year 1967, depending on the progress of construction. In locating the nursing care beds, the agency will endeavor to utilize beds at hospitals where lesser patient demands exist. This is in keeping with the principle that the nursing care bed program should free beds at those locations where heavy hospitalization demands exist. Some deviation from this objective will be necessary, however, to provide an equitable distribution of nursing care beds in terms of geographic coverage.

2. Greater economy and efficiency of operation through closure in the latter part of fiscal year 1965 of the 11 hospital and 4 domiciliary installations listed below. Patients and members at these locations can continue to receive proper care and treatment in other VA or non-VA facilities. Shifts in the veteran population, existing inadequacies of construction and medical facilities, and future construction plans all are among the factors that substantiate the need for these closures.

Hospitals:
- Bath, N.Y.
- Brecksville, Ohio (Broadview Heights)
- Castle Point, N.Y.
- Dwight, Ill.
- Fort Bayard, N. Mex.
- Grand Junction, Colo.
- Lincoln, Nebr.
- McKinney, Tex.

Hospitals—Continued
- Miles City, Mont.
- Rutland Heights, Mass.
- Sunmount, N.Y.

Domiciliaries:
- Bath, N.Y.
- Clinton, Iowa
- Thomasville, Ga.
- White City, Oreg.

Fiscal year 1966 appropriation requirements are presented in this estimate under the following major activities:

*Neuropsychiatric hospitals*

The VA neuropsychiatric hospitals primarily provide service in the diagnosis, care, and treatment of patients with psychiatric and neurological disorders. During fiscal year 1966 the average daily workload in the 41 hospitals designated as neuropsychiatric is planned at 52,698 patients of whom 4,080 are medical, surgical, or tuberculous patients. This represents a decreased patient load of 461 below expected fiscal year 1965 levels, resulting from a reduction of 623 patients mainly at 5 hospitals where construction work will be in progress, partially offset by 162 new patient load transferred from hospitals scheduled for closure.

*General hospitals*

The VA general hospitals provide service in the diagnosis, care, and treatment of patients with medical, surgical, tuberculosis, psychiatric, and neurological disorders. The 118 VA general hospitals to be operated in fiscal year 1966 are scheduled to maintain an average workload of 55,868 patients daily

of whom 6,209 are psychiatric patients. This is a decrease of 891 total patient load below expected fiscal year 1965 levels, with the decrease more that offset by 1,160 patient load to be transferred to VA nursing care beds. The estimate reflects other patient load adjustments occasioned principally by move from the old 335-bed (Mount Alto) Washington, D.C., Hospital into the new 710-bed Washington Hospital; the move from the old 300-bed Atlanta, Ga., Hospital into the new 587-bed hospital in that city, and activation of the new 500-bed Charleston, S.C., General Hospital. Appropriate net adjustments for employment and funds are reflected in this estimate for these changes.

*Domiciliaries*

Fourteen VA domiciliaries and two restoration centers will provide domiciliary care to an average of 13,993 eligible veterans in fiscal year 1966. This is a decrease of 1,248 below expected fiscal year 1965 average load levels, with the difference in the number of members being transferred to State homes, outplaced in local communities, or when medically indicated, admitted to VA hospitals or nursing home care facilities.

*Nursing home care*

VA nursing homes will be established as units within 20 VA hospitals during fiscal year 1965 to provide care to the veteran who has received maximum hospital benefits but is left with the residual disabilities and infirmities sufficient to require supportive care beyond what the patient can provide for himself. Since required renovation and equipping of most of the units will not be completed until after midyear, an average annual beneficiary load of only 350 will be maintained in the 1,001 nursing care beds planned for establishment by June 30, 1965. An additional 999 nursing care beds will be activitated progressively in fiscal year 1966 with an aggregate average beneficiary load of 1,510 maintained in all of the VA nursing home care facilities that year. The agency also expects in fiscal year 1966 to reimburse State homes and private nursing homes for care furnished to daily average beneficiary loads of 1,820 and 2,740, respectively.

*Contract hospitalization*

The VA utilizes other Federal and non-Federal hospitals on a contractual basis in the care and treatment of veteran beneficiaries in localities where there is a shortage of VA facilities. Contract hospitals are expected to provide medical services to an average daily patient load of 2,643 in fiscal year 1966. This represents a decrease of 70 average daily patient load below fiscal year 1965 contract levels because of the transfer of that number of psychiatric patients now in contract beds at St. Elizabeths Hospital (HEW), Washington, D.C., to the new VA General Hospital, Washington, D.C.

*State homes*

The VA is authorized to reimburse each State for part of the cost of domiciliary care furnished to eligible beneficiaries in State soldiers' homes. In fiscal year 1966 an average daily member load of 7,530 beneficiaries will receive such care in 33 soldiers' homes located in 28 States. This represents a decrease of 908 average daily member load below fiscal year 1965 State home levels because of annualization of the nursing home care program in State homes which commenced midyear in fiscal year 1965.

*Outpatient care*

The VA is authorized to provide outpatient medical and dental care and treatment to eligible beneficiaries in all of its hospitals and in clinics not physically located in a VA hospital. Where necessary, the services of hometown physicians and dentists are used on a fee basis. In fiscal year 1966, over 6,207,000 outpatient medical and dental visits are expected of which nearly 1,240,000 will be of the fee-basis type. This represents an increase of 45,000 outpatient visits over fiscal year 1965 levels, with the increase primarily attributable to activation of two new day care centers, increased employee productivity, and implementation of Public Law 88-664 which authorizes the furnishing of drugs and medicines to veterans receiving pensions based on need of regular aid and attendance.

*Miscellaneous benefits and services*

This activity includes those items of expense not directly connected with medical care and treatment such as beneficiary travel, care of the dead, and operation of personnel quarters at medical facilities, and the cost of furnishing supply, engineering, housekeeping, and other administrative support services to other VA departments on a nonreimbursable basis. No basic change is projected for these activities in fiscal year 1966, except for the decrease associated with the closure of the 15 hospital and/or domiciliary installations.

The rising costs of medical care, due primarily to increased salary payments and advances in medical knowledge which result in improved and more complex treatment procedures, pose many serious problems.

Achievement of high quality medical care in agency hospitals and clinics results largely through the close affiliation maintained with America's medical schools and the conduct of active programs of research and education by the Department of Medicine and Surgery. This combination has produced an atmosphere which, to be sustained, demands that VA medical installations keep abreast of the progress being made in the vast and complex field of medical care. Failure to keep pace will jeopardize both the valuable affiliation ties with the medical schools, who are the forefront of the advance, and the agency's ability to recruit and retain the necessary caliber of physician that will assure that patients receive the best possible care and treatment.

The dollar amounts requested for VA medical programs in fiscal year 1966 represent minimal levels needed to protect the agency's relative position in the fields of medical treatment and care. Within these amounts, the agency will continue to improve the medical services provided American veterans who are ill, make modest progress in establishing and expanding new treatment procedures such as open heart surgery and renal dialysis, and improve the maintenance and upkeep of its medical facilities.

*Positions by grade and average employment*

| | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Permanent positions: | | | | |
| GS–15 | 13 | 13 | 13 | |
| GS–14 | 150 | 150 | 150 | |
| GS–13 | 741 | 747 | 744 | −3 |
| GS–12 | 1,472 | 1,485 | 1,476 | −9 |
| GS–11 | 1,789 | 1,805 | 1,776 | −29 |
| GS–10 | 1,898 | 1,915 | 1,896 | −19 |
| GS–9 | 2,650 | 2,674 | 2,641 | −33 |
| GS–8 | 2,254 | 2,274 | 2,231 | −43 |
| GS–7 | 3,000 | 3,027 | 2,978 | −49 |
| GS–6 | 3,043 | 3,070 | 2,999 | −71 |
| GS–5 | 7,003 | 7,066 | 7,016 | −50 |
| GS–4 | 18,975 | 19,146 | 19,136 | −10 |
| GS–3 | 23,008 | 23,215 | 23,201 | −14 |
| GS–2 | 3,842 | 3,877 | 3,858 | −19 |
| GS–1 | 64 | 65 | 64 | −1 |
| Director grade | 160 | 160 | 147 | −13 |
| Executive grade | 191 | 191 | 181 | −10 |
| Chief grade physicians and dentists | 2,753 | 2,795 | 2,780 | −15 |
| Senior grade physicians and dentists | 1,420 | 1,461 | 1,471 | +10 |
| Assistant director grade nurse | 5 | 5 | 5 | |
| Intermediate grade physicians and dentists | 715 | 757 | 814 | +57 |
| Chief grade nurse | 53 | 54 | 55 | +1 |
| Full grade physicians and dentists | 164 | 166 | 172 | +6 |
| Senior grade nurse | 788 | 799 | 801 | +2 |
| Associate grade physicians and dentists | 38 | 39 | 40 | +1 |
| Intermediate grade nurse | 1,397 | 1,417 | 1,437 | +20 |
| Full grade nurse | 3,559 | 3,610 | 3,673 | +63 |
| Associate grade nurse | 6,973 | 7,058 | 7,102 | +44 |
| Junior grade nurse | 2,345 | 2,378 | 2,463 | +85 |
| Ungraded | 34,038 | 34,188 | 33,067 | −1,121 |
| Total permanent positions | 124,501 | 125,607 | 124,387 | −1,220 |
| Deduct: | | | | |
| Lapses | −1,236 | −1,369 | −1,152 | +217 |
| Equivalent of terminal leave | −1,270 | −1,275 | −1,587 | −312 |
| Add: | | | | |
| Carried in other accounts | 548 | 540 | 433 | −107 |
| Other than permanent | 7,266 | 7,338 | 7,280 | −58 |
| In foreign countries | (96) | (96) | (96) | |
| Average employment | 129,809 | 130,841 | 129,361 | −1,480 |

## Proposed Closing of Hospitals and Domiciliaries

Mr. Evins. I think it well, in view of all the interest, to have a discussion of each one of the hospitals proposed to be closed. To make the record absolutely clear we shall reinsert the narrative and listing on page 4–7 concerning these facilities.

(The material follows:)

Greater economy and efficiency of operation through closure in the latter part of fiscal year 1965 of the 11 hospital and 4 domiciliary installations listed below. Patients and members at these locations can continue to receive proper care and treatment in other VA or non-VA facilities. Shifts in the veteran population, existing inadequacies of construction and medical facilities, and future construction plans all are among the factors that substantiate the need for these closures.

Hospitals:
- Bath, N.Y.
- Brecksville, Ohio (Broadview Heights)
- Castle Point, N.Y.
- Dwight, Ill.
- Fort Bayard, N.M.
- Grand Junction, Colo.
- Lincoln, Nebr.
- McKinney, Tex.

Hospitals—Continued
- Miles City, Mont.
- Rutland Heights, Mass.
- Sunmount, N.Y.

Domiciliaries:
- Bath, N.Y.
- Clinton, Iowa
- Thomasville, Ga.
- White City, Oreg.

### VA Hospital, Brecksville, Ohio

Mr. Evins. Let us take Brecksville, Ohio. Why are you proposing to close the hospital at Brecksville, Ohio? We thought we had built a new one out there.

Dr. McNinch. Brecksville is a small separate structure, separated from the main hospital by a distance of some 4 miles, and it has not been operating as a G.M. & S. hospital.

Mr. Evins. Is it a NP hospital?

Dr. McNinch. It has been taking care of psychiatric patients with tuberculosis. As time has passed and the control and treatment of tuberculosis improved, we are treating tuberculosis patients in other hospitals. We did not feel we needed this separate plant which is expensive to operate.

Mr. Thomas. We have been there half a dozen times. I think your judgment is eminently correct. How far is that big new one from there? It can't be more than 5 or 6 miles.

Mr. Driver. The new one, Mr. Chairman, is located at the Western Reserve Medical School.

Mr. Evins. How old is the Brecksville facility? Is it a permanent-type structure?

Mr. Ashbridge. Yes, sir. The main hospital was built in 1939.

Mr. Evins. What did it cost?

Mr. Ashbridge. That I do not have. I can furnish it for the record.

Mr. Evins. Approximately. Have you a horseback opinion?

(The information supplied follows:)

Veterans Administration records indicate that the Brecksville (Broadview Heights) Hospital cost a little over $3.2 million.

Mr. Evins. What is its state or condition? Is it in a good state of repair? Is it of permanent type? It is not barracks type, is it?

Mr. Ashbridge. No, sir.

Dr. McNinch. It is permanent type.

Mr. Evins. You have a maintenance cost here, then.

Mr. Driver. The maintenance costs per 100 patients over the last 2 years have been 2½ times the national average.

Mr. Evins. The maintenance of the building or the maintenance of the patients?

Mr. Driver. The maintenance of the building. The patients' per diem cost for 1964 was $37.29 a day as against a national average of $29.43, a difference of almost $8.

Mr. Evins. What is to prevent utilization of the hospital?

Mr. Driver. We had about 67 percent of the beds occupied during fiscal year 1964.

Mr. Evins. How many beds, and how many patients are in it at the present time?

Mr. Ashbridge. It is a 278-bed hospital.

Mr. Evins. How many patients?

Mr. Driver. About 78 to 80.

Mr. Evins. Can you take care of almost all of those at the new Brecksville, Ohio, hospital?

Mr. Driver. Either there or some other hospital that would be either closer to the patient's home or more suitable for his condition. We would do our best to accommodate them wherever it would be best from their standpoint.

Mr. Evins. There would not be any travel question involved here to any appreciable extent, because you have this new hospital. How many beds are in this new facility?

Mr. Driver. The new hospital has 985 beds, of which 40 are for phychiatric patients, 480 are general medical, and 280 are general surgical. Of course, as you know, we also opened in 1961 the psychiatric hospital in Brecksville, a suburb of Cleveland, with an operating capacity of 1,000 beds.

VA CENTER, BATH, N.Y.

Mr. Evins. Let us take the hospital at Bath, N.Y. How old is this hospital? What is its condition? What is your reason for closing it? How do you propose to take care of the veterans presently at this facility?

Mr. Ashbridge. This center consists of 50-odd brick buildings, many of which are 85 years old. A large percentage of the buildings were built in the 1870's and 1880's. The hospital building is more recent. It is a brick and steel building, with a wood roof, which was built in 1938.

Mr. Driver. About 50 percent of the hospital load at Bath comes from the domiciliary located with it. They have had no waiting list list for years.

Mr. Evins. There is no waiting list there, and it is only 50 percent occupied?

Mr. Driver. Fifty percent of the occupancy comes from the domiciliary members. The other 50 percent would come from people outside of the domiciliary. We feel that with the hospitals around it at Batavia, Buffalo, and Canandaigua, N.Y., and Erie, Pa., there is no problem handling the patients in this service area.

The main problem at Bath is the domiciliary. The patient-care buildings range in age from a low of 78 to a high of 88 years. Renovating or replacing these would present a massive charge, and we don't think it would be a wise use of Government funds to undertake such a program. Maintenance and repair costs per 100 patients were between $65,000 and $105,000 for the last 2 fiscal years, compared to a national average of about half that. We just don't feel that this facility, located as it is——

Mr. EVINS. There is no new facility being built immediately in the area, as I understand. You are just proposing to transfer the patients to other hospitals in the general area.

Mr. DRIVER. And the domiciliary members to other domiciliaries, yes, sir; and close this one.

Mr. EVINS. This is one that is high on your list of need for closing.

Mr. DRIVER. Yes; it is.

Mr. EVINS. It is uneconomic, in your opinion.

Mr. DRIVER. And unnecessary.

Mr. EVINS. What is the extent of its occupancy?

Mr. DRIVER. Eighty-two percent in the hospital.

Mr. EVINS. You have no waiting list?

Mr. DRIVER. No, sir; and we have not had one.

Mr. EVINS. You plan to accommodate or take care of the veterans without any inconvenience?

Mr. DRIVER. That is right, sir.

Mr. EVINS. I believe your testimony yesterday was that you expect to accommodate in hospitals 15,000 more veterans in the next year than you have in the current year.

Mr. DRIVER. In the current year; that is right.

VA HOSPITAL, CASTLE POINT, N.Y.

Mr. EVINS. Let us take Castle Point, N.Y. There are three in New York.

Mr. DRIVER. We have just covered the Bath, N.Y., hospital.

Mr. EVINS. The other two are Castle Point and Sunmount.

Mr. DRIVER. Castle Point is a typical case of a former tuberculosis hospital which because, happily, of the improvement in the method of treating patients, is no longer needed as a TB hospital. We have tried to use it as a general medical and surgical hospital. The facility is 41 years old. There are three buildings for patient care, which makes it most inconvenient in terms of treatment at the hospital. Of the 19 specialties required in what we would consider a good general medical and surgical hospital, it operates about 9. The cost factors in terms of patient costs are unfavorably high. Maintenance and repair costs have been about 60 percent greater than the national average. In terms of operating beds per 1,000 veterans in the Castle Point service area, the figure is 5 as against a national average of 2.9, and 2.5 for the city of New York.

Mr. EVINS. Now explain the service area for the record.

Mr. DRIVER. Therefore, we feel that we can easily transfer the service area of Castle Point to the other beds in the State of New York and get away from the overhead costs.

Mr. EVINS. How old is this hospital?

Mr. DRIVER. Forty-one years old.

Mr. EVINS. What is its state of repair?

Mr. DRIVER. It is in good repair. We have been spending a great deal of money to keep it in good repair.

Mr. EVINS. What is the extent of the bed occupancy?

Mr. DRIVER. The 256 operating beds that we have there are 89.8 percent occupied.

Mr. EVINS. Have you a waiting list?

Mr. DRIVER. However, one building is not even used for patients. We just don't use it for patient care at all. The capacity of the plant would be much higher if we were running at full capacity.

Mr. EVINS. Do you have a waiting list?

Mr. DRIVER. No, sir.

Mr. EVINS. I understand Sunmount is one of your better hospitals.

Mr. JONAS. Would you yield at this point so I may ask a question?

Mr. EVINS. Yes. We are discussing Castle Point.

DISPOSITION OF FACILITIES TO BE CLOSED

Mr. JONAS. Have you asked in the other cases—if you have not, I think we ought to ask—with respect to each hospital or installation what they propose to do with it?

Mr. DRIVER. What we propose to do with it?

Mr. JONAS. Line item by line item. Mr. Evins, do you think that would be helpful?

Mr. EVINS. I think it would be. Let us determine what they plan to do with them after they are vacated. Go ahead, Mr. Administrator, and answer Mr. Jonas' question for the record.

Mr. DRIVER. We have been working with all other Federal agencies and with the State and community authorities in an effort to locate an alternate use that would be most suitable for each facility. We have someone interested in every single one of these that we are talking about. If the facility can be used for education or medical purposes, we can pretty much guarantee its transfer in an almost status quo condition to the State or the community or anyone else.

Mr. JONAS. I have heard it alleged that one of the reasons for closing some of these installations is that they are firetraps.

Mr. DRIVER. Several of these are not fire resistant, and when we came down to examining them for the possibility of putting nursing home care beds in them, we quickly realized that they could not measure up to the standards in terms of being fireproof and that the cost of converting them to fireproof condition in terms of floors, ceilings, interior, and so on, would be prohibitive.

Mr. JONAS. Do you propose to tear any of them down?

Mr. DRIVER. No, sir, we wouldn't propose that.

(Off the record.)

BRECKSVILLE (BROADVIEW HEIGHTS), OHIO

Mr. MINSHALL. Will you describe to the committee what your plans are for the Broadview Heights Hospital?

(Discussion held off the record.)

Mr. MINSHALL. When are you going to release the hospital at Broadview Heights to GSA?

Mr. DRIVER. We have informally made it available to them so they can begin their canvassing of anyone who is interested.

Mr. MINSHALL. Would this be suitable for a State mental retardation hospital?

Mr. DRIVER. Yes, it certainly would be.

Mr. MINSHALL. Is it fireproof and has it qualities that would make it suitable for that use?

Mr. DRIVER. Yes, sir, it has. We think this would be an ideal use for it. We have had some inquiries both in that regard and also in terms——

Mr. MINSHALL. I understand the State of Ohio has made a formal bid, or at least a bid, for this hospital.

Mr. DRIVER. That is right, sir. We have communicated this interest to the General Services Administration for their evaluation.

Mr. MINSHALL. Thank you very much.

VA HOSPITAL, SUNMOUNT, N.Y.

Mr. EVINS. Mr. Administrator, I understand the Sunmount, N.Y., hospital is one of the better hospitals which you are closing.

Mr. DRIVER. Sunmount is another former TB hospital. Its maximum usefulness was in the pre-World War II period before we made the advances in TB chemotherapy, the same situation as at Castle Point. We redesignated it as a general medical and surgical hospital in 1960 and have tried to operate it that way ever since. It is located in a remote area in northern New York State. There is a low demand for beds from the area served. In fact, half of the patients who are hospitalized in VA hospitals from the service area that the Sunmount Hospital is supposed to cover are cared for in either Syracuse or Albany because the Sunmount facility does not have the ability to render the kind of care they need. There has been no waiting list for 4 years.

Mr. EVINS. It is a G.M. & S. hospital. It is not a tuberculosis hospital any more.

Mr. DRIVER. No, sir. The average daily patient load has dropped steadily from about 500 in 1950 to under 350 at the present time.

Mr. EVINS. There is no waiting list?

Mr. DRIVER. There is no waiting list and there has not been for 4 years.

Mr. EVINS. What is the percentage of occupancy?

Mr. DRIVER. Eighty percent. The hospital was built between 1922 and 1924. The patient care buildings are over 40 years old. It has been maintained in good condition.

Mr. EVINS. Is it a complex of buildings?

Mr. DRIVER. Yes, it is, sir. For that reason, architecturally it is not economical to continue to use it for general medical care. The maintenance and repair costs at Sunmount——

Mr. EVINS. Is it your long-range plan to eliminate all hospitals in all small towns and all remote areas and concentrate them all in the big cities?

Mr. DRIVER. No, sir, it certainly is not. We have 168 hospitals. We are talking about 11 here. We are affiliated with 89 medical schools. There are only a few more of them left in the country, even

if we proposed to locate all of them in what you might refer to as medical centers. For that reason and because of the fact that we feel it necessary to operate 125,000 beds, it would be impossible to locate all of these hospitals at medical centers.

VA HOSPITALS LOCATED IN NEW YORK

Mr. EVINS. You have discussed Bath, Castle Point, and Sunmount. How many other veterans hospitals have you in the State of New York?

Mr. DRIVER. In the State of New York we have a hospital at Albany which was constructed in 1951, 1,000 beds, at a cost of $19 million. We have a hospital in Brooklyn constructed in 1950 at a cost of $18.3 million. We have one at Buffalo, N.Y., constructed in 1949, 1,000 beds, at a cost of $18 million; Montrose, N.Y., 1950, 1,900 beds, $25.5 million; Manhattan, constructed and opened in 1954, 1,218 beds, at a cost of $21 million; Syracuse, N.Y., constructed in 1950, opened in 1953, with a capacity of 500 beds, at a cost of $10 million. On Long Island we have been authorized to construct a new hospital, 1,000 beds, at an estimated cost of $26 million, and we are just waiting to learn the location of the proposed new State medical school.

Mr. EVINS. In other words, you have six other major hospitals in New York and one planned for construction.

Mr. DRIVER. We have another one in the Bronx, opened in 1922, 1,331 total beds. We have one in Canadaigua, N.Y., with a capacity of 1,700 beds, for mental patients; another in Northport, N.Y., and another in Batavia, N.Y.

Mr. EVINS. You have 8, and 2 planned for construction—10 hospitals in the State of New York.

Mr. DRIVER. Without considering the hospitals that are to be closed, since 1950 we have spent a total of $116,514,000 constructing new hospital facilities. We have $10,800,000 underway; and we have projected in terms of these other costs, including their maintenance, another $45 million worth of construction in New York State, for a total of $172,717,000 since 1950.

Mr. EVINS. We know your long-range plans for other construction. It is a question of whether it is uneconomic to build other facilities when you have existing facilities which you propose to abandon.

Mr. DRIVER. The facilities we propose to abandon, Mr. Evins, are of a type architecturally, with many buildings, or are of an age as to be uneconomical to operate for general medical and surgical use.

VA HOSPITAL, DWIGHT, ILL.

Mr. EVINS. Mr. Administrator, we will ask you to tell us about the hospital at Dwight, Ill. Let us take them in order down the list. What is the extent of the utilization of the hospital? How old is it? What is the type of construction?

Mr. DRIVER. The patient-care buildings are over 67 years old. The maintenance and repair costs are 38 percent above the national average. The average daily patient load at Dwight was running about 182 in 1964. Of the 19 medical specialties required for a full range of professional care in a G.M. & S. hospital, Dwight has 3.

Mr. EVINS. Is it one building or a complex of buildings?

Mr. DRIVER. This is one building.

Mr. EVINS. Is it a G.M. & S?

Mr. DRIVER. Yes, it is a G.M. & S. hospital except that, as I indicated, it has a limited range of facilities available.

Mr. EVINS. What is the extent of your waiting list there?

Mr. DRIVER. None. We have no waiting list. We have within 60 miles, in Chicago, as you know, three general medical and surgical hospitals with very low waiting lists. So there is no problem of these patients being cared for there. In Illinois, as in New York, we have been busy building hospitals.

Mr. EVINS. Do you propose to transfer all of these Dwight, Ill., patients to Chicago or to other hospitals within the State?

Mr. DRIVER. Mostly to Chicago. Here again we will consider the convenience of the patients and try to accommodate their preference. Most of them will go to Chicago.

Mr. JONAS. You have referred in each case to the high maintenance costs in comparison with the national average. I think you would have to say the same thing with respect to every other hospital that you are not going to close, except those that have been built within the last few years. Isn't that true?

Mr. DRIVER. By comparison; yes, sir.

Mr. JONAS. When you compare maintenance costs in a hospital 20 years old with one built last year, naturally they would be higher.

Mr. DRIVER. That is right, sir. We have looked at the availability of beds in the country. We have looked at the waiting lists in the country. We have looked at the shifts in the veteran population which we got as a result of the 1960 census. Then we decided that, since we have been building many new hospitals, we should consider eliminating some from areas where we have a low demand. When we look at an area we pick out the one most likely. What you say is certainly true, but we would consider that a factor in picking them.

Mr. JONAS. I think the criteria you have listed are more pertinent than the comparison of maintenance costs with a brandnew hospital.

Mr. DRIVER. There is no question about that, sir.

### NEED FOR A VA HOSPITAL IN PHOENIX, ARIZ.

Mr. RHODES. Will you tell me, Mr. Driver, at what point in time your studies indicate you will need a new hospital in Phoenix, Ariz.?

Mr. DRIVER. I can't tell you offhand. I know Arizona, California, and Florida are the three States that have had a substantial increase in veteran population as well as other population in the last 10 years, and this continues to be projected.

Mr. RHODES. I wish you would furnish that for the record, if you could.

Mr. DRIVER. I shall do that.

Mr. RHODES. The veterans' organizations in Arizona are becoming worried about the situation in the future. I certainly hope that you will make a study of Arizona veterans' needs as soon as possible.

Mr. DRIVER. Yes, sir.

(The information supplied follows:)

NEED FOR HOSPOITAL BEDS IN PHOENIX, ARIZ.

VA is acutely aware of the influx of veterans into Arizona and the shortage of beds in Phoenix.

In December 1964, we completed our study covering projected veteran population on the basis of interstate migration. Our projections indicate that the number of medical and surgical beds we now have in Arizona is in line with a nationwide equitable distribution. The problem in Arizona is one of intrastate distribution and the feasibility of relocating medical and surgical beds in the Phoenix area where they are most needed. Also, there is a recognized need for psychiatric beds in Arizona.

We still have under study the problem of how to best meet the needs of Arizona veterans and are not yet in a position to make a firm recommendation regarding construction and location of beds in the State.

VA HOSPITAL, DWIGHT, ILL.

Mr. DRIVER. In the case of Dwight, Ill., Mr. Evins, we have come closest to a turnover to the State of any of these hospitals. The State has asked for this for a hospital for retarded children, and we have indicated that they could have it. This, of course, would be an ideal use for this facility.

VA HOSPITAL, FORT BAYARD, N. MEX.

Mr. EVINS. Will you discuss the proposed closing at Fort Bayard, N. Mex.?

Mr. DRIVER. That is exactly the same as Castle Point and Sunmount, a former TB hospital. We have a greatly reduced need. About 90 percent of the square footage at Fort Bayard was constructed over 40 years ago. Over half of it is not fire resistant. In terms of operating beds, the Fort Bayard area has 5.3 against the national average of 2.9. Of the 19 medical specialties that I have referred to, to be found in the ideal general medical and surgical situation, this hospital provides only one.

Mr. EVINS. Is this a complex of buildings?

Mr. DRIVER. Yes, sir; this is more than one building. It is a typical TB situation. The occupancy rate was 78.6 percent during fiscal year 1964. It has no waiting list.

Mr. EVINS. Where do you propose to treat or accommodate the veterans presently in this hospital?

Mr. DRIVER. We will move the patients here mostly to Albuquerque, where we have a larger hospital. Some will go into Texas, and maybe a few would go to Tucson, Ariz.

Mr. EVINS. How many miles away is it to the closest VA hospital, Albuquerque?

Mr. DRIVER. It is 252 miles to Albuquerque, 201 to Tucson. However, during 1963 there were 1,500 patients discharged from the hospital at Fort Bayard, and of the 1,500, 800 resided closer to the Army hospital at El Paso, where we have a bed allocation.

Mr. EVINS. You don't propose to continue to operate Army hospitals. This is what you are getting away from.

Mr. DRIVER. No, sir; but we propose, where we can get beds available in them, in good hospitals such as this one at El Paso, to continue to use the facilities. We are using it now, and we could use it to a

greater extent. The same situation is true at Minot, N. Dak., where we have some beds and can get more. Of course, we have been doing this for years.

Mr. EVINS. You will have one hospital in New Mexico, at Albuquerque, after this one is closed?

Mr. DRIVER. Yes, sir.

Mr. EVINS. How many bed vacancies do you have there?

Mr. DRIVER. At Albuquerque we will activate more beds when we close this hospital. We have, generally speaking, no bed vacancies now at Albuquerque.

Mr. EVINS. You have no bed vacancies, and you won't be able to accommodate them all.

Mr. DRIVER. Oh, yes.

Mr. EVINS. Will the New Mexico veteran have to go to Arizona or Texas to get hospital care?

Mr. DRIVER. He will go where it is closest for him. He is now leaving El Paso and traveling over 100 miles to get hospital care at Fort Bayard. He could just as well stay in his own city and get hospital care. This is for more than half the patients that are treated.

Mr. EVINS. Why take the Army hospital when you have your own?

Mr. DRIVER. Because it would be so much cheaper to the Government.

Dr. MCNINCH. It is a much finer hospital, too, in terms of the staff and equipment.

Mr. EVINS. I understand they are very satisfied and pleased with it out there.

Mr. DRIVER. We are paying a premium for the care, which we feel is unnecessary. We can give these patients care practically in their hometown.

Mr. EVINS. You have no surplus beds at the other VA hospital in New Mexico.

Mr. DRIVER. But we are going to activate more beds at that hospital; 50 beds.

Mr. EVINS. Won't this create a condition where those on the present waiting list will have to wait longer?

Mr. DRIVER. No, sir; not with more beds available, 50 beds. They turn over about 12 times a year, which means we can treat at least 600 patients in a year with those beds.

Mr. THOMAS. How much waiting list do you have there?

Mr. DRIVER. We have no waiting list at all at Fort Bayard.

Mr. RHODES. What do you have at Albuquerque?

Mr. DRIVER. For 1964 it averaged 100 on the waiting list at Albuquerque. This would be a waiting list of less than 30 days.

Mr. RHODES. What will this do to the facility at Tucson?

Mr. DRIVER. We don't believe it will do anything, really. The waiting list at Tucson averaged 38 during fiscal year 1964 and, with the turnover, this is a very short waiting list. The occupancy rate at Tucson is only 76.5 percent. We can easily run that up to 90 or 95 percent.

Mr. RHODES. When you make your study on Arizona would you please crank in the fact that you are going to be sending New Mexico veterans to the Tucson facility?

Mr. DRIVER. Yes, sir; and, of course, taking money that is now spent at Fort Bayard at a higher per diem rate and making it available to Tucson to treat patients should also be in there.

Mr. RHODES. What about the possibility of using Fort Bayard for domiciliaries only? Would that ease your situation?

Mr. DRIVER. Really, we find a very sharp decline in demand for the domiciliary type of facility. The old soldiers' home, which is what we were talking about by domiciliary, has faded in terms of its appeal to veterans, mainly because of changes in our society.

Mr. EVINS. I have not found any veteran fading in their appeal, in their desire to get into veterans' hospitals.

Mr. DRIVER. I am not talking about hospitals. I am talking about domiciliaries.

Mr. EVINS. They try to get in and cannot. You always tell them you have a long waiting list.

Mr. DRIVER. If we look at the national picture instead of looking at it locally, we find this is really a very small waiting list. If the beds were where the demand was in every case, we would have no waiting list.

Mr. EVINS. There is demand pretty much all over.

Mr. DRIVER. No, sir; there isn't. As I indicated, in these hospitals there is a 75 or 80 percent occupancy and continued decline in the number of beds operating.

PERCENTAGE OF SERVICE-CONNECTED PATIENTS

Mr. THOMAS. Mr. Evins, you and the Administrator have covered the subject like a blanket. There is just one additional little piece of information that might be of interest to everybody. In Fort Bayard and the other hospitals you have mentioned, what percentage of the occupants are service connected?

Mr. DRIVER. We are talking about general medical and surgical patients, and it is 10 or less percent service connected, 90 percent or more nonservice connected.

Mr. THOMAS. What does it cost per bed per day at Fort Bayard now, which is 90 percent nonservice connected?

Mr. DRIVER. $32.09, compared to Albuquerque's $26.67.

HOSPITALIZATION FOR NON-SERVICE-CONNECTED DISABILITIES

Mr. RHODES. Is your waiting list at Albuquerque made up completely of nonservice connected?

Mr. DRIVER. Yes. It is at every hospital.

Mr. JONAS. Apropos the comment by Mr. Thomas, I think it very pertinent to have those facts, but the VA program we are now discussing is not aimed at reducing that percentage at all. They are proposing building even more hospitals to take care of even more non-service-connected people.

Mr. DRIVER. That is right, sir.

Mr. JONAS. So, this program would not alleviate that or reduce the nonservice connected.

Mr. THOMAS. None whatsoever.

Mr. DRIVER. It will move them in each case into a hospital where the per diem cost rate is lower than it is where they are now.

REASONS FOR CLOSING HOSPITALS

Mr. JONAS. While I have interrupted may I ask another question which may not be pertinent at this point. In proposing to close these hospitals you speak of doing it only because they are not efficient or because they are out of date or because of high maintenance costs or because they are unsuitable, being less than fireproof. If they are unsuitable and inefficient for you, how can the States operate them? They always come down here and tell us they haven't any money and they have to rely on the Federal Government to provide all of these services. Where are they going to get the money to take over these inefficient, wornout firetraps and dilapidated buildings and maintain them? Are they not going——

Mr. EVINS. He didn't say they were firetraps or worn out. He just used the word "inefficient."

Mr. DRIVER. Many of them are not of fire-resistant construction.

Mr. JONAS. I heard the word "firetrap" used by some people.

Mr. DRIVER. If you have a person in a bed receiving medical care and he can't move himself, if you look around and there is a fire, I would feel I was in a firetrap, too.

Mr. JONAS. How about these retarded children? Are you going to put them in firetraps?

Mr. DRIVER. In the case of Dwight we do not have this situation. It is of masonry construction.

Mr. JONAS. You don't want to put schoolchildren in them if they are unsuitable for occupancy.

Mr. THOMAS. If the States take them over they certainly will have to spend a lot of money on these properties, but isn't the answer that it is far cheaper. What percentage on the dollar, I don't know. Even with the maintenance and operation costs here as high as they are, would they not save 50 or 60 percent of the total bill?

Mr. DRIVER. They have two problems that this points up, Mr. Jonas. They want a facility where that is located usually. It is suitable for them there. For us, we don't want that facility.

Mr. THOMAS. The point Mr. Jonas is raising is not so much the suitability but the overhead cost of passing it on from the Federal Government to the State.

Mr. DRIVER. But it is cheaper than it would be for them to start from scratch and build a new facility.

VA HOSPITAL, GRAND JUNCTION, COLO.

Mr. EVINS. Let us discuss the condition of the Grand Junction, Colo., hospital, which you propose to close. How old is this hospital, and what is the extent of its occupancy?

Mr. DRIVER. This hospital is 15 or 16 years old.

Mr. EVINS It is 15 years old? How much did it cost?

Mr. ASHBRIDGE. I don't have that. I will supply it.

Mr. MONK. About $5 million?

Mr. DRIVER. About $5 million. It is in a very low density veterans population area.

Mr. EVINS. That is a mighty quick reversal of VA opinion. Five years ago you wanted to spend $5 million to build it, and now you say it is inefficient.

Mr. DRIVER. Yes, sir. It has an occupancy rate of 75 percent. The per diem cost is $34.07 against the national average of $29.43.

Mr. EVINS. How much waiting list do you have there?

Mr. DRIVER. None.

Mr. EVINS. How far is it to the nearest facility where veterans could be serviced?

Mr. DRIVER. It is 250 miles to Denver.

Mr. JONAS. Across the divide on the western side.

Mr. EVINS. It is 258 miles to the closest one at Denver and 270 miles to Fort Lyon, Colo.

Mr. DRIVER. But Salt Lake City and Denver are the places we would use. Denver is 258, and Salt Lake City is 290.

Mr. EVINS. I should now like to read into the record a statement by Senator Allott, of Colorado. He said:

> All the computers in the world cannot show the heartaches and the trouble that taking one veterans facility from Grand Junction would cause. It would mean a 7- or 8-hour drive over two high mountain passes of 12,000 feet to go to Denver, an equivalent drive to Salt Lake City, or an even longer drive to Albuquerque. We are emasculating veterans service at the very level where it is meant to be effective.

Mr. DRIVER. It has 7 of the 19 essential services. So, the very sickest patients who need the more complicated care would get them at Denver or Salt Lake City.

Mr. EVINS. Are any complaining about the service you are giving at Grand Junction?

Mr. DRIVER. We don't have any complaints, generally speaking, at any hospital. We certainly don't think they would be complaining if they were at a place where they could get better care in terms of more facilities available.

Mr. EVINS. How many hospitals do you have in Colorado besides this one?

Mr. DRIVER. The one at Denver is the only other one, sir, in addition to the one at Fort Lyon.

Mr. RHODES. What is the occupancy ratio at Grand Junction?

Mr. DRIVER. It is 75.9 for fiscal year 1964 of the 145 beds in operation. At Denver it is 84.1 for the same period.

Mr. RHODES. How many beds do you have at Grand Junction?

Mr. DRIVER. One hundred and fifty-two. The average occupancy rate is 75.9 percent.

Mr. RHODES. What is your waiting list at Denver and Salt Lake City?

Mr. DRIVER. The waiting list per 100 beds at Denver is 2.6, and at Grand Junction it is 6.9, against a national average of 11.8. All of these are the fiscal year 1964 averages.

Mr. RHODES. You have a waiting list at Grand Junction?

Mr. DRIVER. 6.9 per 100 operating beds during fiscal year 1964.

Mr. RHODES. What about Salt Lake City?

Mr. DRIVER. At Salt Lake City we had 6.2; or an average of 36 people on the waiting list at Salt Lake City.

Mr. RHODES. Mr. Administrator, I cannot help but agree with Senator Allott on this particular hospital. Grand Junction is in an isolated area. It is on the western slope of the Rocky Mountains. In order to get to Denver you have to go over some high mountains. In

order to get to Salt Lake City you have to go over some other high mountains. It seems to me if there is any justification for maintaining a hospital in an isolated area, you have made a case for maintaining this one.

Mr. DRIVER. I should like to point out, as I have indicated, that of the 19 essential services, it has 7. The very sickest patients have to go to Denver or Salt Lake. We feel that we are paying a premium for patient care with what in effect from the figures I have just read indicates an overage of beds in that area. Therefore, it is not justified unless you are willing to maintain such facilities wherever there are veterans.

Mr. RHODES. The point I am trying to make is that you should look at a relief map as well as a scale map, because the terrain here is a factor which really should be taken into consideration. Do you have in mind setting up an air ambulance service for this isolated area?

Mr. DRIVER. There is air ambulance service available there now. For example, the service-connected patients that require the more severe type treatment have to be air evacuated to Salt Lake or Denver.

Mr. RHODES. Do you pay for that?

Mr. DRIVER. We wouldn't for a non-service-connected patient who can afford to pay for transportation.

Mr. RHODES. But you do pay for a service-connected veteran?

Mr. DRIVER. We can. Whether he needs air evacuation or whether he could go by a different type of transportation is a matter for judgment at the time you look at the patient. Air evacuation, for example, is not good for some kinds of patients, as you all appreciate.

Dr. MCNINCH. It is being used increasingly in the West, and at not great expense. In many instances it is cheaper than other forms of transportation.

Mr. RHODES. Going over those passes would not be very good for the patient if air evacuation would hurt him.

Mr. DRIVER. No, sir.

Mr. RHODES. Some of those passes go up to 10,000 feet.

Mr. DRIVER. I believe they are developing a road through so you can go through a tunnel instead of going over those passes into Denver.

Mr. MINSHALL. How many patients do you air evacuate on the average?

Mr. DRIVER. This would be an infinitesimal amount, generally speaking.

Mr. MINSHALL. You pay for this on a charter flight basis, I presume.

Mr. DRIVER. It would be paid like ambulance service.

Mr. MINSHALL. That is what I meant.

### VA HOSPITAL, LINCOLN, NEBR.

Mr. EVINS. Mr. Administrator, what is planned with respect to the Lincoln, Neb., hospital? How old is this hospital? What is the extent of its occupancy? Why do you propose to close it?

Mr. DRIVER. It was built in 1930 as a TB hospital. In the Lincoln area there are 6 operating beds per 1,000 veterans as against 2.9 nationally. It is not fully utilized. Thirty beds are out of use. A further reduction in patient load of 14 more, making 44, is now estimated

The occupancy rate has declined from 87 percent in fiscal year 1962 to 77.8 percent in fiscal year 1964. It has practically no waiting list. There were 2 on the waiting list per 100 beds during fiscal year 1964. It is 50 or 60 miles from another general medical and surgical hospital at Omaha with adequate capacity to care for the additional patient load at Lincoln. In view of the modernization costs required if we are to bring Lincoln up to date, we feel it is better to abandon it and to increase the occupancy rate at Omaha. We will also use the Grand Island VA Hospital to take patients. Its occupancy rate is 77.6. The occupancy rate at Omaha is 88.3 percent.

VA HOSPITAL, GRAND JUNCTION, COLO.

Mr. MINSHALL. Mr. Chairman, I would like to ask a question about the hospital at Grand Junction. This hospital has been in operation only 15 years. It was constructed at a cost of some $5 million. You say the reason you are abandoning it is the low population density out there. Why was it ever built in the first place if your reasons are valid?

Mr. DRIVER. It should not have been, sir, in my opinion. There was never any justification for this hospital.

Mr. RHODES. What does it cost per patient there?

Mr. DRIVER. $34.07 against the national average of $29.43.

Mr. EVINS. I did not understand what you said about the density or the percentage of people as against some other concentrated area, Mr. Administrator. When a man is called on to fight for his country they do not ask how many are living in New York or in the rural areas, do they?

Mr. DRIVER. No, sir.

Mr. EVINS. You do not calculate it that way.

Mr. DRIVER. We have 125,000 beds available to us and, in trying to place them where they will serve the greatest patient load, we are forced to conclude they should go in high-density areas.

VA HOSPITAL, M'KINNEY, TEX.

Mr. EVINS. Tell us about McKinney, Tex.

Mr. DRIVER. McKinney was formerly an Army hospital built in 1943 and acquired by the Veterans' Administration in 1946. It is of cantonment-type construction. At the time the Dallas Hospital was approved for construction, McKinney was approved for abandonment. The life expectancy was 15 years when it was constructed and now it is many years over that. None of the buildings are fire resistant. We spend a great deal of money in maintenance and repair. It runs about 15 percent higher than the national average.

Mr. EVINS. Do you have a hospital at Bonham, Tex., nearby in the same county?

Mr. DRIVER. Yes, sir; and at Dallas, which is about 35 miles.

The McKinney per diem rate is $28.29 against Dallas' rate of $25.88. It is not high compared to Grand Junction.

Mr. THOMAS. If the gentleman will yield briefly, one of my veteran friends called me long distance and gave me a little treatment. He said it was a shame to tear down the hospital at McKinney. I asked

if he had ever been there, and he had not, but of course he knew all about it. As a matter of fact, he said they needed it so badly there, the veterans' hospital in Dallas was sleeping veterans on the floor of the Dallas Hospital. Is that true?

Mr. DRIVER. That is false, sir. This is not happening. We have no way of explaining this. Of course, many people are saying many things that mean nothing at this time.

Mr. THOMAS. I knew it was not true.

Mr. EVINS. This is one of the examples of the cantonment Army barracks-type facility being replaced with other hospitals. This has been done over the years and it is continuing to be done by you?

Mr. DRIVER. Yes, sir.

Mr. EVINS. This is one of the examples of a wornout firetrap building.

Mr. DRIVER. Which has already been replaced, in effect, and we did not get out of it.

Mr. EVINS. What is the maintenance cost of the McKinney, Tex., facility?

Mr. DRIVER. We have spent $2 million since 1947.

Mr. THOMAS. Is that the national rate, medium, lower, or what?

Mr. DRIVER. The maintenance and repair cost per 100 ADPL for fiscal year 1964 was 50 percent higher than the national average.

Mr. EVINS. It is 95 percent occupied. They must like to utilize it.

Mr. DRIVER. Yes, sir.

Mr. EVINS. How much of a waiting list do you have there?

Mr. DRIVER. We had an average of 47 on the waiting list during fiscal year 1964.

Mr. EVINS. Would you be able to accommodate all of these veterans?

Mr. DRIVER. Yes, sir; we will accommodate them at Dallas, Shreveport, Oklahoma City, Houston, Amarillo, Big Springs.

VA HOSPITAL, MILES CITY, MONT.

Mr. EVINS. Let's talk about the facility at Miles City, Mont., which we have heard a lot about.

Mr. DRIVER. Yes, sir.

Mr. EVINS. How old is this hospital?

Mr. DRIVER. Fifteen years.

Mr. EVINS. What type hospital is it?

Mr. DRIVER. It is a 100-bed general medical and service hospital.

Mr. EVINS. Is it permanent brick-type construction?

Mr. DRIVER. It is permanent brick-type construction.

Mr. EVINS. How much did it cost originally?

Mr. MONK. Over $5 million; $55,000 a bed, the highest price ever built.

Mr. EVINS. You built a nice one and a good one. Now why abandon it?

Mr. DRIVER. It is in a remote area with a small number of physicians available, and professional services. We have the capacity to take care of patients at Fort Harrison where we have built a new hospital building and are activating 20 more beds and at Minot, N. Dak.; 75 percent of the patients in the hospital December 31, 1964, came to Miles City

from farther than a hundred miles. More of them come from Yellowstone County where Billings is located than from any other county. This is on the way in toward Fort Harrison. So with a little additional travel they can go to Fort Harrison or on the other side of Miles City, to Minot. The patients who will have to travel as much as 350 miles to Fort Harrison——

Mr. EVINS. Does not the same situation apply at Miles City as Grand Junction?

Mr. DRIVER. The distance?

Mr. EVINS. It might not be good for the health of the veteran to have to be transported in the cold weather across the mountain passes.

Mr. DRIVER. Here again, as I indicated before, the patients who are the sickest have to go there anyway.

Mr. EVINS. This article says (reading):

> Senate Majority Leader Mike Mansfield angrily denounced the VA plan, declaring the economy should be achieved by cutting wasteful Government practices, which he said ran into millions of dollars, and not at the expense of veterans.
>
> Bitterly protesting the closing of the Miles City, Mont., VA hospital, he said, "I received announcement of the closing 1½ hours before it became generally known. This in the name of economy? Whose economy? Not the veterans of the region. Not their families who will have to travel great additional distances to visit the patients. It is an old story. When we are in an emergency, nothing is too good for those who are called upon to make great sacrifices for the Nation's safety and benefit. When the emergency is over, we forget the promises."

Mr. DRIVER. We built a new hospital building and modernized an existing building at Fort Harrison to make sure there was better medicine in Montana. We have bed occupancy availability at other hospitals. As I indicated, with 75 percent of the patients now traveling over a hundred miles and 25 percent of the patients now traveling over 200 miles, distance is a factor which is being coped with.

Mr. EVINS. Senator Mansfield says the VA is using computers and steadily pulling Government services and installations out of sparsely populated States.

Mr. DRIVER. We are certainly looking at costs and doing our best to make sure we get every drop of available care out of the available funds and number of beds that we have, and we just feel that putting money here where we can save a million dollars a year——

Mr. EVINS. On what side of the ledger do you put the declining property values in the economy of the area? Where should this loss be computed?

Mr. DRIVER. The per diem cost at Miles City per patient is $32.27, and we think we could do better than that and still take care of these patients.

VA HOSPITAL, RUTLAND HEIGHTS, MASS.

Mr. EVINS. What about Rutland Heights, Mass.?

Mr. DRIVER. Rutland Heights, Mass., is a former TB hospital that was built in 1922. It presents severe maintenance problems and would need a massive construction program to be made functionally modern. Patients are dispersed in three buildings, with major clinical activity in the fourth building, which means a great expenditure of time mov-

ing patients around this complex. The buildings are all more than 40 years old. There is no waiting list for the past 2 years.

Mr. EVINS. Is it a permanent-type building?

Mr. DRIVER. Yes, sir.

Mr. EVINS. It is 40 years old?

Mr. DRIVER. Over 40 years old; yes, sir.

Mr. EVINS. How much of a waiting list?

Mr. DRIVER. None.

Mr. EVINS. How far away is it to the nearest facility?

Mr. DRIVER. About 50 miles to Boston. There are eight Veterans' Administration hospitals within a hundred miles.

Mr. EVINS. Eight within a hundred miles?

Mr. DRIVER. Yes.

Mr. EVINS. You have the capacity and you can take care of the veterans?

Mr. DRIVER. Yes, indeed, sir.

### CLOSING OF DOMICILIARIES

Mr. EVINS. This completes the list of the 11 hospitals for closing. In addition, you propose that four domiciliaries be closed—Bath, N.Y.; Clinton, Iowa; Thomasville, Ga.; and White City, Oreg.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Tell us about your plans with respect to those.

Mr. DRIVER. The domiciliary program over the past years, since it was started in the 19th century, has undergone a terrific change. Physicians, sociologists, and psychiatrists believe we should take a different tack in treating domiciliary members. They think more effort should be made at moving them out of the domiciliary, trying to get them back into society or, in many cases, that these members need nursing home care. When we look at this in connection with the fact that the Congress raised the basic monthly pension rate to a hundred dollars, we have the typical domiciliary member drawing pension. In three locations—at White City, Thomasville, and Clinton—he is housed in a very isolated area, with little effort being made to move him back into the community. We think that we can screen these patients and get a large number of them out of the facilities and back into either a useful or more normal life.

### VA DOMICILIARY, THOMASVILLE, GA.

Thomasville, the one in Georgia, has 180 1-story buildings of temporary construction, and an original life expectancy of 15 years, not fire resistant. The physical plant is one on which we spend a lot of money for maintenance. It is not falling down but it is costing a considerable amount of money, between $200,000 and $300,000 a year to maintain. We just think we can transfer these domiciliary members to Florida, to Biloxi, Miss., to Dublin, Ga., and Mountain Home, Tenn., and do away with this particular one.

Mr. EVINS. In this connection, my attention has been called to the fact that the highest medical cost per bed is in Washington, D.C., and

the lowest cost is at Mountain Home, Tenn. It is already filled up and has a long waiting list.

Mr. DRIVER. Mountain Home, Tenn., that we are talking about, is a domiciliary.

Mr. EVINS. If they bring them in from Georgia, the local ones will have a longer waiting list.

Mr. DRIVER. There is no waiting list at the hospital.

Mr. EVINS. If the hospital is filled, is it not commonsense and reasonable that it will be difficult for the others to get in?

Mr. DRIVER. We are talking about the domiciliaries, not the hospital.

Mr. EVINS. I am talking about when you close Thomasville, Ga., and transfer the patients to Mountain Home.

Mr. DRIVER. These are domiciliary members, like in the old soldiers' home, and not in hospitals.

Mr. EVINS. You have some old soldiers' facilities at Mountain Home?

Mr. DRIVER. Yes, sir; domiciliary facilities, that is right. We have 1,770 beds, with 1,600 average daily member load. So we have beds to spare. Of course, when we close Thomasville and Clinton and White City and Bath, we will use the money being spent there to support additional care for members at these other domiciliaries which are more suitable.

VA DOMICILIARY, MOUNTAIN HOME, TENN.

Mr. EVINS. This letter has just come to my attention from the director of the division of Veterans Affairs of the State of Tennessee, and he says that—

> The domiciliary at Mountain Home has a capacity of 1,771 beds. At the present time there are 427 vacant beds, 33 beds on reserve for patients who are absent with leave, etc.

When others are transferred to this facility there will be no vacant beds to accommodate the veterans in the area.

Mr. DRIVER. There is 100 percent turnover in these things every year, Mr. Evins. The question of being on the waiting list is relatively simple.

Mr. EVINS. They say there are 16 on the waiting list at Kennedy, 70 at Nashville, and 106 on the waiting list at Mountain Home.

Mr. DRIVER. Those are hospitals except for Mountain Home.

Mr. EVINS. We will place this letter in the record and give you an opportunity to answer it.

Mr. DRIVER. Yes, sir.

(The letter referred to follows:)

STATE OF TENNESSEE DIVISION OF VETERANS' AFFAIRS,
*Nashville, Tenn., March 12, 1965.*

Hon. JOE L. EVINS,
*Member of Congress, House Office Building,*
*Washington, D.C.*

DEAR JOE: It is our understanding that the Committee on Appropriations is considering the budget of the Veterans Administration in particular reference to hospitals and domiciliaries. We in Tennessee are particularly concerned with the proposal of the Veterans Administration to close a number of hospitals and

domiciliaries. We give you below a brief breakdown on the present hospital situation in Tennessee:

| | Kennedy | Nashville | Murfreesboro | Mountain Home (hospital) |
|---|---|---|---|---|
| Operating beds | 1,206 | 498 | 1,275 | 575 |
| Patients in hospital | 1,160 | 483 | 1,166 | 547 |
| Vacant beds | 46 | 15 | [1] 109 | 28 |
| Waiting list: | | | | |
| General medical | 16 | 70 | ---------- | 106 |
| Surgery | 0 | 94 | ---------- | 30 |
| Psychiatric | 0 | 7 | 234 | ---------- |
| Intermediate | 0 | ---------- | ---------- | ---------- |
| TB | 0 | 0 | ---------- | ---------- |
| Spinal cord injury | 0 | ---------- | ---------- | ---------- |

[1] These are reserved for patients on leave, trial visit, etc.

*Domiciliary*

The domiciliary at Mountain Home has a capacity of 1,771 beds. At the present time, there are 427 vacant beds, 33 beds on reserve for patients who are absent with leave, etc., and a waiting list of 99.

We call your attention to the fact that since the order was released closing domiciliaries, including the domiciliary at Thomasville, Ga., that orders were issued which prohibits the admission of non-service-connected cases at Mountain Home. Thus, you can see from the above information that although there are 427 vacant beds, we have a waiting list of 99.

The inconsistency of orders prohibiting the admission of non-service-connected cases at Mountain Home is brought out by the fact that although Thomasville, Ga., is one of the domiciliaries which has been designated to be closed, they are permitted to admit all eligible veterans regardless of whether or not he is service connected or nonservice-connected. This is causing an undue hardship on the veterans served by the Mountain Home domiciliary, and there would be a much larger waiting list than the 99 reported if it were not for the fact that instructions have been issued to the veterans' organizations, Veterans Administration officials, other installations, and county service officers that nonservice-connected cases will not be admitted and, therefore, many applications would have been filed than the records indicate.

It is obvious that if the order closing Veterans Administration hospitals and domiciliaries is carried out that not only the veterans in the States where the hospitals and domiciliaries are closed are going to lose but veterans in other States, including Tennessee, will not be able to secure hospital and domiciliary care in accordance with the intent of the Congress and the American people.

I trust that as a member of the Appropriations Committee you will be able to see that sufficient funds are made available to the Veterans Administration to operate at least 1 regional office in every State and a total bed capacity of at least 125,000 beds plus the 4,000 nursing care beds made available by Public Law 88-450. It is our honest opinion that the 31 installations designated to be closed should remain open and if legislation is required, this should be accomplished with the least possible delay.

Your continued efforts in behalf of the veterans of Tennessee will be deeply appreciated.

Yours very truly,

JOE F. HUDGENS, *Director.*

(NOTE.—The response of the Veterans Administration to the foregoing letter follows:)

DOMICILIARY BEDS AND ADMISSIONS

At the time in January the closing order was first issued, admission of all non-service-connected veterans to all domiciliaries was suspended in order that an accumulation of vacant beds would be attained in those not scheduled to be

closed to provide beds for the members remaining in the four domiciliaries scheduled for closing at the time that they were finally closed. In accordance with Public Law 88-92 all action to close the 11 hospitals and 4 domiciliaries was suspended and is being suspended until the terminal date of Public Law 88-92 which is May 1, 1965. This action included reinstating the usual policy of admission of members to the four domiciliaries selected for closing.

However, previous instructions to the 14 remaining domiciliaries continued in effect in order that these domiciliaries could receive the residual members from the 4 selected for closure if the course of events permitted their closure. Admission of srvice-connected veterans to all 18 domiciliaries has continued to be authorized throughout the entire time period.

SAVINGS FROM CLOSINGS

Mr. EVINS. Mr. Administrator, overall, how much do you propose to save by these 11 veterans hospitals and 4 domiciliaries being closed?

Mr. DRIVER. $23,500,000. That includes the 17 regional offices, too.

Mr. EVINS. We are talking about the hospitals.

Mr. DRIVER. $20,500,000.

Mr. EVINS. Do you not think we could find $20.5 million in economies elsewhere?

Mr. DRIVER. If we could, we could find better ways to spend it than keeping these places open, sir. We just feel this is not the way to spend money, even if it is available. We could treat more patients cheaper in other facilities.

ARTICLES FROM AMERICAN LEGION PUBLICATION

Mr. EVINS. Without objection, I am going to place the article from the News of the American Legion in the record at this point.

(The article referred to follows:)

[News of the American Legion and Veterans Affairs, March 1965]

VA ORDER SHUTS 31 FACILITIES; PLAN DRAWS FIRE FROM LEGION

National Commander Johnson calls for "total mobilization" against closing of 11 hospitals, 4 domiciliaries, and 16 offices; angry Congressmen set hearings; heavy anticlosure mail reaching Washington, D.C.

The Veterans Administration announcement of January 13 in Washington, D.C., that it would close 11 hospitals, 4 domiciliary homes and 16 regional offices in 23 States by June 30, 1965 (and some even by April 1), met sharp reaction and strong protest by the American Legion on national and local levels and brought promises of action by Congress.

At a press conference the next day, National Commander Donald E. Johnson, in answer to this massive cutback in VA facilities and services, characterized the proposal as one "which produces small savings at the expense of a great sacrifice to our veterans" and retorted that "these actions by the Veterans Administration, and the manner in which they were executed, reflect a gross disregard of the needs of our sick and disabled and are in direct conflict with the announced aims of the administration to improve the lot of needy citizens."

The VA has estimated it would save $23.5 million in the fiscal year 1966 by the proposed cutback.

Commander Johnson declared that "Even if the estimated savings are fully realized—and this is highly questionable, because some governmental agency will be called upon to care for these people—there is no justification for the hardships and sacrifices to be imposed."

Said Commander Johnson, "It is difficult to understand how the Veterans' Administration can participate in any war against poverty or in the establishment of an improved society when it closes hospitals and domiciliaries."

Part of the scope of the cutback is noted in the list of VA hospitals scheduled for closing at: Lincoln, Nebr.; Castle Point, N.Y.; Sunmount, N.Y.; VA Center, Bath, N.Y.; Rutland Heights, Mass.; Dwight, Ill.; Miles City, Mont.; McKinney,

Tex.; Brecksville, Ohio (Broadview Heights Division); Grand Junction, Colo., and Fort Bayard, N. Mex.

VA domiciliaries scheduled for closing were at: Bath, N.Y.; White City, Oreg.; Thomasville, Ga., and Clinton, Iowa.

Six thousand beds will be lost for veteran's use by the projected closing of these hospitals and domiciliaries.

The following VA regional offices (which give service to veterans with claims) will close to merge with more distant offices: Albany, N.Y., to New York City, N.Y.; Syracuse, N.Y. to Buffalo, N.Y.; Wilkes-Barre, Pa., and Wilmington, Del., to Philadelphia, Pa.; Cincinnati, Ohio to Cleveland, Ohio; Kansas City, Mo., to St. Louis, Mo.; Shreveport, La., to New Orleans, La.; Lubbock, Tex., to Waco, Tex.; San Antonio, Tex., to Houston, Tex.; Juneau, Alaska to Seattle, Wash.; Reno, Nev., to Los Angeles, Calif.; White River Junction, Vt., and Manchester, N.H., to Boston, Mass.; Fargo, N. Dak., and Sioux Falls, S. Dak., to St. Paul, Minn.; and Cheyenne, Wyo., to Denver, Colo.

The national commander declared that "In closing regional offices the VA has substantially decreased its ability to render service to veterans and their survivors. These persons will find it increasingly difficult to learn about and to obtain benefits authorized by Congress * * *. VA's closing of regional offices is directly opposite to the expansion by the Social Security Administration of its field offices. The latter agency seems convinced that the best way to serve is to open, not close, its facilities for the public."

Congressional reaction to the VA closings was swift in coming. Senators filled 10 pages of the January 15 Congressional Record with protests and documentation of the damage to be done in their States.

Senate majority leader Mike Mansfield, Democrat, of Montana, angrily denounced the VA plan, declaring that economy should be achieved by cutting wasteful Government practices, which he said ran into millions of dollars, and not at the expense of veterans.

Bitterly protesting the closing of the Miles City, Mont., VA hospital (new in 1951 and operating at capacity), he said, "I received announcement of the closing (Miles City) 1½ hours before it became generally known * * *. This in the name of economy. Whose economy? Not the veterans of the region * * *. Not their families who will have to travel great additional distances to visit patients * * *. It is an old story * * *. When we are in an emergency, nothing is too good for those who are called upon to make great sacrifices for the Nation's safety and benefit * * *. When the emergency is over, we forget the promises * * * apathy waxes."

Senator Mansfield said that the VA situation is not isolated, that Government bureaus, using cost-computers, are steadily pulling Government services and installations out of the sparsely populated States. He added: "On what side of the ledger of these so-called economy decisions do you put the losses of the man who is thrown out of a job by the change? On what side do you put the losses of the bankrupt business? On what side do you put the losses inherent in the forced movement of people * * *? On what side do you put the decline in property values? On what side do you put the curtailed and inadequate services which result from the change to those who are entitled to the best by law and equity? * * * I should like to support measures for Appalachia, Urbania, or whatever; but I do not propose to support them at the expense of a new economic wasteland in Rockania * * *."

Senator Mansfield put on record a long letter from Montana Veterans Welfare Director Harry E. Sawyer regarding the closing of the Miles City hospital.

MONTANA HOSPITAL PROBLEM

Wrote Sawyer, in part: "* * * Does anyone in the VA realize that there is no railroad or bus service between eastern Montana and Helena? A seriously ill veteran who cannot afford hospital care in Glasgow or Wolf Point would have to be brought 400 miles by car. Temperatures this winter have been hovering below the zero mark for the past month. It would be at the risk of his life to bring such a veteran over snowy, ice-packed roads for 8 to 10 hours to be hospitalized at Fort Harrison (the Helena VA hospital) * * *. Hour after hour the roads on the High Line are closed due to blizzards. A car can start from Plentywood in pleasant weather and be stalled in a blizzard between Glasgow and Malta. This is inhuman * * *."

Other quotes from the Senate January 15 colloquy:

Senator Metcalf (of Montana). "There was not a word in the state of the Union speech as to what the Great Society would do for veterans * * *. We thought, 'The subject will be deferred to a special message.' Then we were informed that in order to save $23.5 million as a part of the VA economy program, the VA * * * has gone to its computers * * * and has come to the conclusion that it should close the listed facilities * * *. Is there not to be anything in the Great Society for veterans? * * * Saving $23.5 million on one day and spending $3.3 billion in foreign aid on the next day cannot be justified to the veterans of real war when we are embarking on a war against poverty and disease * * *."

Senator Allott (of Colorado). "* * * I wish to say one word on behalf of the Grand Junction VA hospital in Colorado * * *. All the computers in the world cannot show the heartaches and the trouble that taking one veterans' hospital away from an area like Grand Junction would cause * * *. It will mean a 7- or 8-hour drive over two high mountain passes of 12,000 feet to go into Denver, an equivalent drive into Salt Lake City, or even a longer drive to Albuquerque * * *. We are emasculating the veterans' services at the very level where they are meant to be effective * * *. The veterans' facilities are spread out in the manner in which they are for the reason that veterans, who have earned the right to proper care from their Government, should have an opportunity to be hospitalized within a reasonable distance from their own homes."

Senator Gruening (of Alaska). "As soon as the facility in Juneau is closed, veterans in Alaska will have to travel 1,000 miles to obtain service. They cannot very well walk that distance. They will have to spend their money for airplane fare * * *. These decisions are unjust and unwise. I doubt whether they are sound economically * * *."

Senator Yarborough (of Texas). "I will call hearings on this in the Senate Subcommittee of Veterans Affairs, of which I am chairman, at the earliest moment * * * (hearings began January 22). This is action by the Bureau of the Budget. The Bureau * * * has fought the (cold war) GI bill under the last three Presidents. They have been the stumbling block in its way. I think that the hearts, the aims, and the desires of the American people should be given some of the attention by the Budget Bureau that its computing machines receive * * *."

Senator McGovern (of South Dakota). "The withdrawal of VA service personnel from Sioux Falls, S. Dak., to St. Paul, Minn. * * * means that our veterans will have to travel 300 miles in order to discuss special problems with VA service personnel * * *."

Senator Burdick (of North Dakota). "This is almost identical with the situation that prevails in Fargo, N. Dak. * * *."

Also included in the long list of Senators who protested losing or transferring VA facilities were: Winston L. Prouty, of Vermont; John Sherman Cooper, of Kentucky; Senate Republican Leader Everett Dirksen, of Illinois; Jacob K. Javits, of New York; George Aiken, of Vermont; Leverett Saltonstall, of Massachusetts; Carl T. Curtis, of Nebraska; and Jack Miller, of Iowa.

On January 22 a joint statement by the commanders of veterans' organizations totaling 4.5 million members was issued, decrying the proposed VA cutback and calling for an immediate full congressional study and review. The statement also asked for meetings with President Johnson, the Director of the Bureau of the Budget, and with the Administrator of Veterans' Affairs.

The joint statement was signed by Donald E. Johnson, national commander of the American Legion; Lincoln Tamraz, national commander, AMVETS; William G. Dwyer, national commander, Disabled American Veterans; John A. Jenkins, commander in chief, Veterans of Foreign Wars; and Melvin D. Eddy, national commander, Veterans of World War I, Inc.

### TV INTERVIEWS

National Commander Johnson also had separate TV-taped interviews with Senator Jack Miller (Republican, of Iowa), and with Representative Olin E. Teague (Democrat, of Texas), chairman of the House Veterans Committee.

Said Johnson at the Miller interview, "VA hosiptals won't be closed if the American Legion can help it."

Senator Miller endorsed the national commander's views and added, "I join with Senator Mansfield, Senator Dirksen, and others on both sides of the aisle in calling upon the VA to reconsider this action."

Said Representative Teague, "I plan to call hearings of the House Veterans Committee very shortly to discuss this most important subject of the VA closings * * *. I am greatly interested in the announced intention of the VA to close the hospital at McKinney, and regional offices at Lubbock and San Antonio."

National Commander Johnson talked by conference telephone with the Legion's department commanders informing them of the gravity and scope of the cutback and of the necessity for a united front to prevent its happening.

Reports of shocked disbelief were also quick in coming from Legionnaires close to rehabilitation work and from VA hospital patients and domiciliary members themselves.

For example, at Thomasville, Ga., the domiciliary scheduled to close has 800 operating beds and an average daily membership load of 758 since July 1, 1964. It has 168 full-time employees, 6 medical consultants, and 127 members who perform work under the therapeutic and rehabilitation program.

In order to be eligible for domiciliary admission, veterans must swear to not be able to pay for similar care; must not be able to earn a normal living; and must not need hospital treatment.

George Osborne, department adjutant of Georgia, and the editor of the Georgia Legionnaire, went immediately to the Thomasville domiciliary upon hearing the news of its scheduled closing. Excerpts from his lengthy and complete report follow.

ON-THE-SPOT TESTIMONY

"To see babies cry causes me concern; to see women cry makes me uncomfortable; but to see grown men cry is just about more than I can take. When you talk to a 74-year-old veteran of World War I who saw duty on the border and in France, and in later life suffered numerous heart attacks and a stroke that left one hand paralyzed; to see him cry as he tells you this has been his home for 15 years and now it is to be no more, this is a personal tragedy to this man no matter how you play it.

"When you try to comfort a person like this, and there are hundreds just like him, by assuring him your organization is fighting to reverse the decision and if unsuccessful, you feel sure he will be cared for at another installation, this gives this man little consolation.

"He said to me. 'This is my home—the other members and the staff are my family. I am too old to start over. What am I going to do?' I didn't have an answer."

Osborne talked to Max Law, World War I vet, and 67 years old. Said Law, "I am a victim of arthritis and I've been here since August. The treatment I have received here has been the best. I think that, if this place closes, some of us that are severely disabled may be placed in other facilities, but some of the fellows will be out without a place to go."

And from Thomas Robinson, 74, a World War I Army vet: "I have been on this station for 5 years. I think it is a poor plan to close this place. I require maximum care * * * due to emphysema and heart trouble * * *. I have hopes that something will happen so they will not close this place. The staff here is wonderful and treat me fine. I would hate to leave them."

Said Otis Williams, 68, "I saw border service and served in France in the First War. I have been here since 1949. It will be like leaving my family to leave here and I hope something will keep them from closing us up."

Osborne talked to Frank Turvey, 64, who served in the U.S. Navy during World War I: "I was speechless. I came here November 1953, and am 100 percent service-connected disabled. I hope I will be able to transfer to some VA center with domiciliary care because I would be unable to secure employment. I have to use a walking cane to get around. The reason I was so shocked * * * was because they have spent so much fixing up these facilities. The buildings and fixtures here are in the best shape * * * since I came here."

Editor Osborne discussed the facilities: "As I look over this 265-acre reservation * * * and * * * see new X-ray equipment just being uncrated, a new Addressograph room just completed, acres of new tile on the floors, a new $65,000 boiler, new gaslines * * * the underground water and sewage systems, fire stations, and maintenance facilities, I find it hard to comprehend that closing this place at this time is going to save money. The per diem cost for each member here in 1964

was $5.70—the lowest in the VA system—yet moving these men to other stations is an economy move—so they say. * * * The plan to move men from Thomasville into Dublin, Bay Pines, Biloxi, and Mountain Home is sheer folly inasmuch as these installations already have waiting lists. If we think getting a veteran into the hospital has been rough in the past—look out for the future."

Nationwide, the picture was just as bleak for possible domiciliary transferees.

Members at the Bath, N.Y., domiciliary will be relocated at either Dayton, Ohio (472 miles away), Kecoughtan, Va. (491 miles away), or Wood, Wis. (708 miles away).

The members at Clinton, Iowa, will be relocated at either Wood, Wis. (174 miles away), Wadsworth, Kans. (397 miles away), or Martinsburg, W. Va. (851 miles away).

The Thomasville members will go to Dublin, Ga. (155 miles away), Biloxi, Miss. (347 miles away), Bay Pines, Fla. (281 miles away), or Mountain Home, Tenn. (457 miles away).

White City, Oreg. domiciliary members will be transferred to Los Angeles (754 miles away), Whipple, Ariz. (1,100 miles away), Hot Springs, S. Dak. (1,399 miles away), Temple, Tex. (2,096 miles away), or Bonham, Tex. (2,057 miles away).

Patients remaining in the VA hospitals scheduled for closing will be given a choice of transfer to several surrounding hospitals. However, it is questionable whether all patients will be able to go to their first choice.

Following is a list of the hospitals to be closed and the nearest and farthest hospitals which patients can choose, many of which will have to enlarge their normal waiting lists to accommodate them.

The closest VA hospital to Bath, N.Y., is at Batavia, N.Y. (70 miles away), while the farthest is at Montrose, N.Y. (250 miles away).

The closest hospital to the TB installation at Brecksville, Ohio, is the neuropsychiatric hospital in the same town, while the farthest is at Pittsburgh, Pa. (124 miles away).

The closest to Castle Point, N.Y., is at West Haven, Conn. (82 miles away), and the farthest is at Brooklyn, N.Y. (96 miles away).

For Dwight, Ill., the closest is Hines, Ill. (65 miles away), the farthest is St. Louis, Mo. (240 miles away).

For Fort Bayard, N. Mex., the closest is Tuscon, Ariz. (201 miles away), the farthest is Whipple, Ariz. (384 miles away).

For Grand Junction, Colo., the closest is Denver, Colo. (258 miles away), the farthest is Fort Lyon, Colo. (372 miles away).

For Lincoln, Nebr., the closest is Omaha, Nebr. (54 miles away), the farthest is Knoxville, Iowa (233 miles away).

For McKinney, Tex., the closest is Dallas, Tex. (33 miles away), the farthest is Muskogee, Okla (267 miles away).

For Rutland Heights, Mass., the closest is West Roxbury, Mass. (45 miles away), the farthest is Albany, N.Y. (118 miles away).

For Sunmount, N.Y., the closest is Albany, N.Y. (151 miles away), the farthest is Togus, Maine (232 miles away).

For Miles City, Mont., the closest is Sheridan, Wyo. (212 miles away), the farthest is Fargo, N. Dak. (473 miles away).

ECONOMIC EFFECTS

The adverse effect on the economic structures of the respective communities involved in the VA closings is incalculable. Depending on the size of each, some will be more affected than others.

For example, the VA hospital at Dwight, Ill., is in a community of 3,150 people and employs approximately 250. For this small community, the VA hospital was one of the main sources of business revenue, and its closing will seriously affect its future economic status.

In a letter to President Lyndon B. Johnson, Representative Emanuel Celler of New York, declared that the closings at Castle Point, Sunmount, and Bath, would displace 1,590 patients, eliminate 1,460 jobs, and reduce local payrolls by $9.1 million a year.

The day following the VA closing announcement, National Commander Donald E. Johnson keynoted the American Legion's stand: "I doubt if it is the will of the American people that this society be built at the expense of those who have risked their lives that this Nation, under God, might endure, and who now find

themselves in need of the services which their Government in Washington is best equipped to render.

"I now call for a total mobilization of the efforts and resources of the American Legion to prevent this disastrous proposal from becoming reality."

He asked that Legionnaires write or wire Washington, D.C., and protest the closings to President Lyndon B. Johnson, VA Administrator William J. Driver, chairman of the House Committee on Veterans' Affairs Olin E. Teague, chairman of the Senate Subcommittee on Veterans' Affairs Ralph Yarborough, and their own congressional representatives.

On January 28, Commander Johnson testified before the Senate Veterans' Affairs Subcommittee and presented the views of the nearly 2.6 million members of the American Legion in opposition to the proposed VA cutback.

NEW VA CHIEF

President Lyndon B. Johnson has nominated William J. Driver, 46, to be the new head of the U.S. Veterans' Administration (title: Administrator of Veteran Affairs). Driver, a career VA employee since 1946, has been second in command of the VA as Deputy Administrator since February 1961.

Driver's nomination and the resignation of Past National Commander John S. Gleason, Jr. (1957–58), who had been appointed Administrator by the late President John F. Kennedy in January 1961, were announced on December 26, 1964, by President Johnson. Gleason has returned to his position as an officer of the First National Bank of Chicago.

President Johnson said he was "particularly pleased" to announce Mr. Driver's nomination because "he is the first career official to administer the affairs of America's veterans."

Driver, a World War II and Korean war vet, holds numerous military decorations, including the Distinguished Service Medal. He has earned the VA's two highest awards, the Exceptional Service Medal, and the Meritorious Service Medal. In 1964, he also was awarded the Career Service Award of the National Civil Service League.

The new VA chief began his career in the Contact and Administration Services, switched to Compensation and Pension Service, and then later directed the entire benefits program as Chief Benefits Director before becoming Deputy Administrator in 1961.

Driver has had a leading role in many VA changes in recent years. These include—

1. The veterans pension law, Public Law 86–211.
2. New York measurement and performance standards and other reorganization and planning programs.
3. The large-scale application of automatic data processing and the establishment of a new department of data management.

A native of Rochester, N.Y., the new Administrator was born May 9, 1918, was educated in that city, and was graduated cum laude from the University of Niagara with a degree in business administration in 1941.

World War II intervened and Driver joined the U.S. Army in July 1941, was discharged November 1945, and went to work for the VA in February 1946.

While working at the VA by day, he attended George Washington University in Washington, D.C., by night, earned his LL. B. degree, and was admitted to the District of Columbia Bar of Law in 1952. He is a member of Wynnewood Legion Post 511 of Dallas, Tex.

NUMBER OF PATIENTS INVOLVED IN CLOSINGS

Mr. MINSHALL. How many patients are involved in total, in the closing of the 11 hospitals?

Mr. DRIVER. 2,080.

Mr. MINSHALL. And you say there is adequate nearby hospitalization in all of these cases?

Mr. DRIVER. Yes, sir.

Mr. MINSHALL. For these 2,000?

INCREASE IN NUMBER OF PATIENTS TREATED

Mr. DRIVER. Yes, sir. In this regard, there has been much made about the fact we will, for some temporary period, not have as many beds in operation as we had immediately prior to the closing. I think that, really, this misses the main point, in that it is not the number of beds you have that is the payoff, but how many patients can you treat.

In 1960 we treated 637,000 patients with about the same number of beds we have now. In 1961 we went from 637,000 up to 664,000, an increase of 27,000. In 1962, from 664,000 to 689,000. In 1963, from 689,000 to 713,000, and in 1964 we went up to 739,000. In 1965 it was 746,000, and our estimate for 1966 is up another 15,000 to 761,000, even with the closings. This projection for 1966 is after closings.

On top of this, Congress has authorized us to establish 4,000 nursing home beds. They will be filled immediately by 4,000 long-term patients who are occupying medical beds today. This means that we could treat, on the average, 48,000 more patients in the year they are in full operation.

We are also supporting, starting in 1966, 2,700 patients in nursing beds that we would move from VA hospitals to private or public nursing home facilities, making another 2,700 beds available for acute care. So we are constantly increasing the total number treated, and to take care of these 2,000 patients poses no problem within the VA system.

INVESTMENT IN HOSPITALS AND DOMICILIARIES

Mr. EVINS. What is the total investment in these 14 facilities you propse to close? You told us you proposed to save $20.5 million. What is the Federal investment in these facilities?

Mr. DRIVER. In terms of the structures themselves?

Mr. EVINS. In terms of dollars.

Mr. DRIVER. I would say just under $100 million.

Mr. EVINS. Just under $100 million.

Mr. DRIVER. We estimate the replacement costs of all of the facilities at $100.3 million.

EFFECT OF CLOSINGS ON EMPLOYEES

Mr. EVINS. What do you propose to do with all of the doctors, nurses, employees, and other workers of the Veterans Administration in these facilities?

Mr. DRIVER. We hope they will transfer to other VA facilities. We need them all.

Mr. EVINS. You do not propose to eliminate any of those?

Mr. DRIVER. No, sir. We put a job freeze on in January, and we are now able to offer firm offers to anyone who wants them.

Mr. EVINS. But there will be increased cost because of the transfer of employees.

Mr. DRIVER. There really would not be. We know that most of the employees will not transfer, and we will not need the same number of employees after we move these to other hospitals. For ex-

ample, we have 3,266 employees now caring for these 2,080 patients.

Mr. EVINS. Repeat those figures again, please.

Mr. DRIVER. We have 3,266 employees caring for the 2,080 patients. After we move, of these 3,266 we will need 1,288 at other hospitals to increase the staffing in order to care for this average daily patient load. So there will be a net saving of 1,978 employees for a total of $15.5 million in the 11 hospitals.

Mr. EVINS. A little less than 2,000 employees will be dropped from the rolls?

Mr. DRIVER. The net effect in our payroll; yes, sir.

Mr. MONK. But, by and large, those are administrative employees, not direct patient care employees, and that is how you can make a saving.

Mr. EVINS. When you build these hospitals and refurbish them and expand others, you will have to put more on the rolls in those areas.

Mr. DRIVER. This would be to take care of more patients, Mr. Evins.

Mr. EVINS. Are there any further questions on the hospital closings?

LEVEL OF MEDICAL CARE

I want to look over your general statement on your neuropsychiatric hospitals, general hospitals, domiciliaries, nursing homes, your contract hospitalizations, and State home care. I think it is worthwhile to discuss this briefly.

If my figures are correct, you will have 41 neuropsychiatric hospitals, 118 VA general hospitals, and 16 domiciliaries. This is after your proposed closings. How many non-Federal facilities with which you have contracts?

Dr. KLIPPEN. We have 2,643 beds.

Mr. EVINS. How many does that represent in number of facilities?

Mr. WISE. There is no actual count on that.

Mr. EVINS. You are contracting with a number of different facilities?

Dr. KLIPPEN. We have 24 Federal facilities.

Mr. EVINS. That is what I am trying to find out.

Dr. KLIPPEN. But Mr. Wise is right on the remainder of this. This is non-Federal. It is 1,310 beds.

Mr. EVINS. 1,310 beds are non-Federal?

Dr. KLIPPEN. That is right.

Mr. EVINS. This builds up the picture.

State homes, an average daily member load of 7,530 beneficiaries will receive such care in 33 soldiers' homes located in 28 States.

And your outpatient care, over 6,207,000 outpatient medical and dental visits are expected in 1966, of which nearly 1,240,000 will be of the fee basis type. This represents an increase of 45,000 outpatient visits over fiscal year 1965 levels. Public Law 88–664 authorizes the furnishings of drugs and medicines to veterans receiving pensions based on need of regular aid and attendance.

Your patient load, if these figures correspond with your others, would indicate 134,000 accommodated during the year.

Mr. MONK. Mr. Evins, on page 4–11 is the patient load, and 138,802 is the total in the third column there. You will notice that this is

1,230 more average load even after you close the hospitals than we had in 1965.

HOSPITAL BED LIMITATION

Mr. EVINS. Now you have a limitation of 125,000 operating beds; do you not?

Mr. MONK. Yes, sir. That is in the VA hospitals. Now, the total patient load includes the contract hospitalization, the State homes, the nursing homes, the contract nursing homes.

Mr. DRIVER. They are not within the limits.

Mr. EVINS. They are not within the limits?

Mr. DRIVER. No, sir.

Mr. EVINS. Therefore, you are able to accommodate 138,000?

Mr. DRIVER. Theoretically there is no limit to the number you could put in contract State homes.

Mr. EVINS. Does the action of the Congress and the VA in establishing the nursing home beds have the effect of freezing the limitation on operating hospital beds?

Mr. DRIVER. There has been a lot of talk about whether, when we got to the point in our construction program that we could not accommodate any more because of the limits, they would be within or without. Frankly, we have not decided that yet. We have not reached the point where we are pushing the limit, even with the 4,000 nursing beds.

Mr. EVINS. Mr. Minshall.

GAO REPORT ON CONSTRUCTION OF BRECKSVILLE NP HOSPITAL

Mr. MINSHALL. I have in front of me a GAO report dated February, 1965 relating to the deficiencies in contract administration for exterior concrete construction at the Brecksville, Ohio, hospital, and I quote in part from the report, as follows:

> The exterior concrete was placed during the period December 1959 through October 1960, and within a short time after installation instances of cracked curbings and cracked sidewalks appeared. The concrete progressively deteriorated and so forth.

The essence of the GAO report is that the administration personnel did not adequately administer the contract or properly supervise the contractor's performance. I would like to have your comments on this. It says the total cost to the Government for the error is some $93,000. This is not a huge amount, but it is substantial.

Mr. DRIVER. Yes, sir; and one we certainly did not want to have happne. We have gone into it at some length, and I would like the Assistant Administrator for Construction, Mr. Ashbridge, to give you some details.

Mr. MINSHALL. Just comment on it briefly. If you want to amplify it in the record, I would appreciate it. Just give us a capsule version now.

Mr. ASHBRIDGE. At the time this job was out for bids someone in our organization, with a view toward saving money, cut down the requirements of the exterior concrete. We had previously required six bags of cement per yard of concrete and, as I say, with a view to saving some money they cut this to a performance specification requiring compres-

sive strength of 2,500 pounds per square inch. When the contractor who was low bidded on the job submitted to us a proposed mix for the exterior concrete, he submitted a mix that had approximately four bags of cement per yard of concrete but it did achieve the performance specification requirements of 2,500 pounds per square inch compressive strength. The result is that the concrete, although it met the strength, is not as dense as it should have been for exterior concrete. It has weathered badly.

Also, I might say that slag was used on this. There is some question as to whether or not slag should have been used on exterior concrete. There is a difference of opinion there, but at any rate that may have been a contributing factor.

Furthermore, with a view to removing snow and ice rapidly, there were some deicers used, some chemicals used on the concrete, and that may perhaps have contributed to the deterioration also. So that there are several different things here, any one of which may have contributed.

Mr. MINSHALL. What it boils down to is that one or more persons in your shop goofed?

Mr. ASHBRIDGE. That is correct.

Mr. MINSHALL. If you want to amplify on the Comptroller General's report for the record, I will appreciate it.

Mr. ASHBRIDGE. Surely.

(The information supplied follows:)

While the Brecksville 1,000-bed psychiatric hospital was out for bids, addendum No. 1 to the bidding documents was issued by my office, which included 40-some page of minor changes, clarifying of specifications, etc. One of the items, which was presumably put in by someone with the idea of saving money, changed the exterior concrete. The original specifications required six bags of cement per cubic yard and the addendum provided that the exterior concrete should be class X, which had a performance rating of 2,500 pounds per square inch compressive strength, but without any minimum amount of cement. It did provide for air entrainment, as air-entrained concrete withstands the freezing and thawing cycles better than ordinary concrete.

To meet the requirements of the amended specifications, the low bidder, who became the successful contractor, offered for our approval a mix, designed by an independent laboratory, which required but four bags of concrete per cubic yard of cement and which provided that Placewel W, an air entraining admixture, be added to the concrete in order to meet our specifications for air-entrained concrete. This mix was approved by the VA, as it provided concrete of the required strength.

The specifications also indicated a maximum slump for the concrete. Slump is one of the indicators of the consistency and workability of a concrete mix and a change in slump can indicate changes in material, proportions, water content, or air content. The slump tests taken during the placing of the concrete indicated that the slump exceeded the specifications but, since the breaking tests on cylinders indicated that the concrete met, and generally greatly exceeded, the specified minimum compressive strength at 28 days of 2,500 pounds per square inch, it was apparently felt by our engineers that the strength requirement took precedence over the slump. A review of the cylinders tested during the pouring of the outside concrete indicated average compressive strength of 3,145 pounds per square inch.

Some reports of extensive failure of the curbs, gutters, walks, and paving were made in March and April 1962. Studies were undertaken immediately to determine the reasons for the failure and, on April 27, 1962, the situation was called officially to the attention of the contractor. The contractor denied responsibility, stating that he had provided concrete which met our specifications and felt that the Government, by specifying only the strength of the concrete, was

responsible for any damage which might have resulted from an insufficient quantity of cement.

We had test cores taken from the concrete. These were studied by the National Bureau of Standards in conjunction with the Corps of Engineers and the Bureau of Public Roads. Dr. Bruce Foster, Chief of the Inorganic Materials Branch of the Bureau of Standards, directed these tests. Of the seven cores tested, six had compressive strengths in excess of the 2,500 pounds per square inch required by our specifications. Of four cyclinders tested for air void characteristics, two cylinders showed air entrainment present in excess of contract requirements and two showed air entrainment less than that required.

The situation was further complicated by the fact that certain deicing compounds had been used by station personnel, after the hospital started operating, for snow and ice removal and these are known to have an adverse effect on concrete, particularly concrete which has not had several years to cure.

From the very beginning, our contracting officer and our attorneys had grave doubts that we would ever be able to hold the contractor liable for the deterioration of the concrete and the tests by the Bureau of Standards added little toward establishing responsibility for the failure, although there is general agreement that the concrete specified did not have the characteristics for successful service as intended. Hindsight is, of course, better than foresight and it turned out to be false economy to supersede the old requirement for six bags of cement per cubic yard by the performance specification requiring 2,500-pound concrete with no minimum cement content.

After the contractor had denied responsibility for the failure, a review of the record did not indicate that we had a sound basis for further action against the contractor, claiming defective materials or workmanship and, accordingly, the initial corrective work was performed by the Government at its expense.

We continued to investigate the situation, however, and discovered (from the manufacturer) that the contractor had not used the approved air-entrainment agent, Placewel W, although from the results of the tests, admittedly, some air entrainment agent had been used. This strengthened our hand in the continuing discussions which we held with the contractor with a view to having him bear bear the cost of the necessary corrective work.

An initial offer made by the contractor would have resulted in the recovery of approximately 31 percent of the cost of the repairs deemed necessary. A joint survey was made by representatives of the contractor and the VA on July 16, 1964, to determine the extent of the repairs required.

We continued to press the contractor until, last September, he increased his offer to replace at his expense that portion of the defective concrete designated during the joint survey, for which provisions for correction had not already been made by the VA. He offered to use six-bag, air-entrained concrete with crushed rock aggregate instead of the four-bag mix with slag used in the original construction. It was estimated that this amounted to approximately $65,000 worth of work, or about 41 percent of the total, against 31 percent in his first offer. This was discussed with the Administrator and our general counsel and it was decided to accept this offer, as in the best interests of the Government, which was done and the contractor has completed all but a few odds and ends which will be done this spring, when weather permits.

In order to prevent recurrency of a situation similar to that at Brecksville, we made a study of our procedures and have instituted certain changes which we believe will be helpful and effective.

Of the many Government employees involved in the design and construction of the VA Hospital at Brecksville, and particularly the exterior concrete, some have retired, some have died, and those who are still in our employ have been counseled. These are conscientious professional employees who occupy positions of responsibility and their performance has in general resulted in work of high quality. They exercise a high degree of latitude in making independent judgments and it is necessary to delegate considerable authority to them in the conduct of a large construction program. The record indicates that failures which have occurred are relatively minor compared with the accomplishment of a construction program which has on any given date, many hundreds of millions of dollars worth of projects in various stages of design and construction.

MEDICAL CARE WORKLOADS

Mr. EVINS. We will place the workload figures from page 4–11 in the record.

(The page follows:)

*Medical care—Summary of workloads by activity*

| Activity or item | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Number of installations: | | | | |
| Neuropsychiatric hospitals | 41 | 41 | 41 | |
| General hospitals | 127 | [1] 128 | [2] 118 | −10 |
| Domiciliaries | 20 | 20 | [3] 16 | −4 |
| Nursing-home care (in VA hospitals) | | 20 | (4) | |
| Workloads: | | | | |
| Average daily beneficiary load: | | | | |
| Neuropsychiatric hospitals | 54,335 | 53,159 | 52,698 | −461 |
| General hospitals | 55,824 | 56,759 | 55,868 | −891 |
| Contract hospitalization | 2,722 | 2,713 | 2,643 | −70 |
| Domiciliaries | 15,330 | 15,241 | 13,993 | −1,248 |
| State homes | 9,346 | 8,438 | 7,530 | −908 |
| Nursing-home care | | 1,262 | 6,070 | +4,808 |
| Total | 137,557 | 137,572 | 138,802 | +1,230 |
| Patients admitted to VA hospitals | 609,077 | 616,000 | 631,000 | +15,000 |
| Patients treated in VA hospitals | 738,583 | 746,000 | 761,000 | +15,000 |
| Patients discharged from VA hospitals | 612,786 | 620,000 | 635,000 | +15,000 |
| Outpatient: | | | | |
| Medical visits: | | | | |
| Staff | 4,945,717 | 4,839,400 | 4,880,900 | +41,500 |
| Fee | 1,232,916 | 1,228,200 | 1,228,200 | |
| Total | 6,178,633 | 6,067,600 | 6,109,100 | +41,500 |
| Dental examination cases completed: | | | | |
| Staff | 39,088 | 39,088 | 40,588 | +1,500 |
| Fee | 4,011 | 3,996 | 4,196 | +200 |
| Total | 43,099 | 43,084 | 44,784 | +1,700 |
| Dental treatment cases completed: | | | | |
| Staff | 44,690 | 44,690 | 46,390 | +1,700 |
| Fee | 7,084 | 7,056 | 7,156 | +100 |
| Total | 51,774 | 51,746 | 53,546 | +1,800 |

[1] Increase of 1 hospital due to redesignation, effective July 1, 1964, of the Palo Alto division of the consolidated Palo Alto Hospital from neuropsychiatric to general. Menlo Park division continues as neuropsychiatric.

[2] Net decrease of 10 stations due to activation of Charleston, S.C., hospital and closure of 11 G.M. & S. hospitals.

[3] Decrease due to closure of domiciliaries at Bath, N.Y.; Clinton, Iowa; Thomasville, Ga.; and White City, Oreg.

[4] To be determined.

Mr. EVINS. The cost of personal services, travel, transportation of things, rents, communications, and utilities, printing and reproduction, most of these items show an increase. Your data processing services jumps up to $3,675,000.

We will place the charts on pages 4–12 and 4–15 in the record.

(The pages follow:)

MEDICAL CARE

*Summary of employment and costs by activity*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employment (average FTE): | | | | |
| Neuropsychiatric hospitals | 40,432 | 39,766 | 39,952 | +186 |
| General hospitals | 74,150 | 75,460 | 73,424 | −2,036 |
| Domiciliaries | 3,226 | 3,282 | 2,826 | −456 |
| Nursing homes | | 267 | 1,160 | +893 |
| Outpatient | 11,213 | 11,278 | 11,228 | −50 |
| Miscellaneous benefits and services | 788 | 788 | 771 | −17 |
| Total | 129,809 | 130,841 | 129,361 | −1,480 |
| FTE consultants included in total above | (1,088) | (1,088) | (1,081) | −(7) |
| Average payroll cost | $6,586 | $7,016 | $7,053 | +$37 |
| Net costs by activity: | | | | |
| Neuropsychiatric hospitals | 301,522,789 | 313,942,000 | 321,434,000 | +7,492,000 |
| General hospitals | 597,961,668 | 647,235,000 | 648,776,000 | +1,541,000 |
| Contract hospitalization | 16,285,104 | 17,121,000 | 16,905,000 | −216,000 |
| Domiciliaries | 31,318,104 | 32,288,000 | 27,898,000 | −4,390,000 |
| State home care | 7,581,703 | 7,162,000 | 6,593,000 | −569,000 |
| Nursing home care | | 3,010,000 | 18,920,000 | +15,910,000 |
| Outpatient | 124,812,834 | 127,444,000 | 132,018,000 | +4,574,000 |
| Miscellaneous benefits and services | 11,775,830 | 11,957,000 | 11,899,000 | −58,000 |
| Total, net costs | 1,091,258,032 | 1,160,159,000 | 1,184,443,000 | +24,284,000 |
| Costs adjusted for other years, net | +4,782,859 | | | |
| Total obligations | 1,096,040,891 | 1,160,159,000 | 1,184,443,000 | +24,284,000 |
| Less: | | | | |
| Reimbursements received | 5,461,507 | 6,000,000 | 7,026,000 | −1,026,000 |
| Proposed Supplemental | | 38,224,000 | | +38,224,000 |
| Add: Unobligated balance or savings | 184,686 | | | |
| Comparative transfers to other appropriations | 878,930 | | | |
| Appropriation or estimate | 1,091,643,000 | 1,115,935,000 | 1,177,417,000 | +61,482,000 |

*Comparative analysis of employment and costs, by object*

| Cost by object | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|
| | FTE employment | Total cost | FTE employment | Total cost | FTE employment | Total cost | FTE employment | Total cost |
| 10 Personal services and benefits: | | | | | | | | |
| Consultations and attendings | 1,088 | $10,409,936 | 1,088 | $10,471,000 | 1,081 | $10,399,000 | −7 | −$72,000 |
| Nurses | 15,446 | 117,401,590 | 15,644 | 128,380,000 | 15,813 | 129,866,000 | +169 | +1,486,000 |
| Dentists | 715 | 11,662,184 | 711 | 12,060,000 | 709 | 12,047,000 | −2 | −13,000 |
| Physicians | 6,640 | 103,157,262 | 6,729 | 111,248,000 | 6,861 | 113,421,000 | +132 | +2,173,000 |
| Clinical and counseling psychiatrists | 730 | 8,907,464 | 734 | 9,346,000 | 747 | 9,516,000 | +13 | +170,000 |
| Wage rate employees | 35,230 | 181,723,267 | 35,459 | 189,672,000 | 34,650 | 185,135,000 | −809 | −4,537,000 |
| Purchase and hire | 109 | 739,230 | 109 | 756,000 | 102 | 708,000 | −7 | −48,000 |
| Other personnel | 69,851 | 420,198,297 | 70,367 | 454,727,000 | 69,398 | 449,682,000 | −969 | −5,045,000 |
| Employee compensation payments | | 683,197 | | 1,320,000 | | 1,582,000 | | +262,000 |
| Subtotal | 129,809 | 854,882,427 | 130,841 | 917,980,000 | 129,361 | 912,356,000 | −1,480 | −5,624,000 |
| 21 Travel: | | | | | | | | |
| Employee | | 851,423 | | 861,000 | | 863,000 | | +2,000 |
| Other travel | | 9,049,045 | | 9,117,000 | | 8,953,000 | | −164,000 |
| Subtotal | | 9,900,468 | | 9,978,000 | | 9,816,000 | | −162,000 |
| 22 Transportation of things: | | | | | | | | |
| Shipment of bodies | | 136,208 | | 137,000 | | 136,000 | | −1,000 |
| Other transportation | | 1,733,942 | | 1,763,000 | | 1,729,000 | | −34,000 |
| Subtotal | | 1,870,150 | | 1,900,000 | | 1,865,000 | | −35,000 |
| 23 Rent, communications, and utility services: | | | | | | | | |
| Communications | | 4,633,449 | | 4,855,000 | | 4,859,000 | | +4,000 |
| Rental, motion picture film | | 1,222,953 | | 1,191,000 | | 1,204,000 | | +13,000 |
| Utility services | | 13,107,018 | | 13,957,000 | | 13,920,000 | | −37,000 |
| Rental of medical and other equipment | | 933,072 | | 932,000 | | 937,000 | | +5,000 |
| Subtotal | | 19,896,492 | | 20,935,000 | | 20,920,000 | | −15,000 |
| 24 Printing and reproduction | | 765,497 | | 957,000 | | 936,000 | | −21,000 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 25 | Other contractual services: | | | | | | | |
| | Repair prosthetic appliance | | 1,204,554 | | 1,215,000 | | 1,261,000 | +46,000 |
| | Laundry services | | 1,039,138 | | 947,000 | | 1,031,000 | +84,000 |
| | Medical, nursing, and dental fees | | 10,401,344 | | 10,478,000 | | 10,813,000 | +335,000 |
| | Burials cost | | 137,722 | | 138,000 | | 134,000 | −4,000 |
| | Repair furniture and equipment | | 1,970,773 | | 1,842,000 | | 2,504,000 | +662,000 |
| | M. & R., contract services | | 5,439,217 | | 9,395,000 | | 7,838,000 | −1,557,000 |
| | Contract hospitals | | 16,285,104 | | 17,121,000 | | 16,905,000 | −216,000 |
| | Community nursing homes | | | | | | 8,000,000 | +8,000,000 |
| | Compensated therapy | | 2,100,227 | | 2,190,000 | | 1,953,000 | −237,000 |
| | Other contract services | | 2,905,475 | | 2,826,000 | | 3,126,000 | +300,000 |
| | Data processing services | | | | | | 3,675,000 | +3,675,000 |
| | Subtotal | | 41,483,554 | | 46,152,000 | | 57,240,000 | +11,088,000 |
| 26 | Supplies and matrials: | | | | | | | |
| | Provisions | | 45,341,320 | | 45,465,000 | | 44,971,000 | −494,000 |
| | Drugs and medicines | | 28,728,746 | | 28,972,000 | | 32,586,000 | +3,614,000 |
| | Blood and blood products | | 2,071,704 | | 2,020,000 | | 2,101,000 | +81,000 |
| | Medical and dental supplies | | 19,438,224 | | 19,246,000 | | 19,474,000 | +228,000 |
| | Fuels | | 5,983,840 | | 6,073,000 | | 6,042,000 | −31,000 |
| | Operating supplies | | 9,261,627 | | 9,325,000 | | 9,461,000 | +136,000 |
| | M. & R. supplies | | 9,664,109 | | 11,009,000 | | 10,477,000 | −532,000 |
| | Prosthetic appliances | | 6,627,512 | | 6,630,000 | | 6,980,000 | +350,000 |
| | Linens | | 3,746,304 | | 3,752,000 | | 3,837,000 | +85,000 |
| | Office supplies | | 2,102,907 | | 2,094,000 | | 2,140,000 | +46,000 |
| | Other medical supplies | | 1,255,885 | | 1,258,000 | | 1,282,000 | +24,000 |
| | Fee prescriptions | | 3,543,087 | | 3,540,000 | | 3,540,000 | |
| | Subtotal | | 137,765,265 | | 139,384,000 | | 142,891,000 | +3,507,000 |
| 31 | Equipjent: | | | | | | | |
| | Passenger vehicles | | 203,652 | | 83,000 | | 31,000 | −52,000 |
| | Nonpassenger vehicles | | 457,152 | | 218,000 | | 178,000 | −40,000 |
| | Furniture and fixtures | | 5,942,514 | | 5,426,000 | | 5,952,000 | +526,000 |
| | Medical, dental, and scientific equipment | | 11,047,164 | | 10,462,000 | | 11,660,000 | +1,198,000 |
| | Utility and other operations | | 5,009,799 | | 4,749,000 | | 5,258,000 | +509,000 |
| | Subtotal | | 22,660,281 | | 20,938,000 | | 23,079,000 | +2,141,000 |
| 32 | Land and structures | | 2,817,481 | | 2,482,000 | | 15,169,000 | +12,687,000 |
| 41 | Grants, subsidies, and contracts | | 7,581,703 | | 8,259,000 | | 8,843,000 | +584,000 |
| | Total gross costs | | 1,099,623,318 | | 1,168,965,000 | | 1,193,115,000 | +24,150,000 |
| | Less: Q. S. & L. | | 8,365,286 | | 8,806,000 | | 8,672,000 | −134,000 |
| | Net costs | | 1,091,258,032 | | 1,160,159,000 | | 1,184,443,000 | +24,284,000 |

Mr. EVINS. On pages 4–19 through 4–49 you show your increases and decreases. For instance, you say:

Increases of 537 average employment and $4,566,000 for partial activation of the two larger replacement hospitals located at Atlanta, Ga.; Washington, D.C.; and Charleston, S.C.

So in activating these new hospitals you are not coming down in personnel but increasing them, as it is to be expected.

Your changes are spelled out here very well but are a little too lengthy to put in the record.

OPEN HEART SURGERY CENTERS

Then you propose to have an increase of 23 average employment for the establishment of 13 open heart surgery centers. Where are you going to establish these—at existing facilities?

Dr. MCNINCH. Yes, sir.

Mr. EVINS. Have you the skilled surgeons to do this work?

Dr. MCNINCH. We have.

Mr. DRIVER. We have several centers now. One at Durham.

Mr. EVINS. Do you propose to open 13 more? It looks like a crash program on open heart surgery.

Dr. MCNINCH. This is going on in the 13 in a very small way. We propose to develop and expand and give them funds.

Mr. EVINS. It is already underway in 13 centers?

Dr. MCNINCH. Bronx, N.Y.; Buffalo, N.Y——

Mr. THOMAS. Mr. Evins questioned the talent. Where are you getting these doctors? They are one of the highest skilled type of doctors. Where are you getting these skilled people? I have heard some say there were not a hundred in the United States now.

Mr. DRIVER. We had the team in from Oklahoma City, Mr. Chairman, and they are remarkable people, and so were the demonstrations they gave us, the pictures they showed, the skills. We are certainly honored they are with the VA but they are available to us in some number.

Mr. EVINS. In other words, you are going to build up 13 centers in which there is some work being done, and then if you need the skilled men you are going to transfer them into the centers?

Mr. DRIVER. No, they are already there.

Dr. MCNINCH. Open heart surgery, which was very, very rare in this country 10 years ago, is becoming increasingly common with the development of the auxiliary apparatus to sustain the heart-lung function of the patient during the operation, and the number of hospitals in and out of government in which open heart surgery is being done is increasing.

Mr. EVINS. Off the record.

(Discussion off the record.)

Mr. EVINS. If you do not have the surgeons available, if you have the equipment and facilities and there is one in one of your nearby cities—and you always say there are experts there—you can transport them pretty rapidly, can you not?

Dr. MUSSER. We have contractual arrangements with a good many medical people where we do not have the facilities. While we did 250 during 1964 in the VA, a great many more veterans had this type of surgery by virtue of contractual arrangements we had.

In regard to the availability of surgeons, I think we ought to recognize that there are some splendid training centers, and we are able to recruit doctors who have been trained in these centers, and they carry on the work in our own hospitals.

Mr. THOMAS. How long are you able to keep them, Doctor, after you get them?

Dr. MUSSER. We have better luck with surgeons than almost any other specialist. We have some like Dr. Chardack of Buffalo, who devised the Pacemaker you are familiar with, and he has been a good many years with the VA, and I think he will stay indefinitely.

PULMONARY EMPHYSEMA CARE

Mr. EVINS. Your budget proposes to establish pulmonary emphysema units at 26 hospitals. So you are closing some but establishing 26 special units in this area.

Mr. THOMAS. Will you describe for the record emphysema in some detail?

Dr. MCNINCH. With age and with an obstruction developing——

Mr. THOMAS. You mean, Mr. Evins is too young to have it?

Dr. MCNINCH. You can have it when you are younger, but it is more common in older people.

There are very tiny air sacs in the lungs which have a great deal of surface area for the exchange of oxygen between the air and the bloodstream. These sac walls get broken down and the area for exchange of oxygen between the air and the blood decreases and brings about shortness of breath.

Mr. THOMAS. Does it have anything to do with cigarette smoking, pipe smoking, or tobacco smoking?

Dr. MCNINCH. I do not believe the Surgeon General's committee reported positively this is true. I think it is suspected.

Mr. THOMAS. Somebody was saying the other day—I do not know how much authority he was speaking with—that a breakthrough has been made in one of the hospitals under the Public Health Service in emphysema. Is there any truth in that? I hope there is.

Dr. KLIPPEN. I do not know of it.

Dr. MUSSER. No, sir. I think the biggest breakthrough has been the work of Dr. Curtis and Dr. Kree that I referred to yesterday.

Mr. THOMAS. Where are they located?

Dr. MUSSER. Madison, Wis. What we are trying to do in this particular project is to make available in 26 of our hospitals treatments that they have devised that are quite remarkable.

Mr. THOMAS. You have to get your teams together and train them, and you cannot do that overnight. If you do not start, you never accomplish anything.

RENAL DIALYSIS TREATMENT CENTERS

Mr. EVINS. The agency plans to activate 42 renal dialysis centers before the year 1970, and you propose 11 facilities to be built in the next year, with an increase of 70 average employment. You say one of these centers will be located at San Juan, P.R.

Mr. DRIVER. That is just one of them.

Dr. McNinch. Of the units, the 11 will be in Boston, the Bronx, Cleveland, Coral Gables, Durham, N.C., Houston, Texas, Iowa City, Iowa, Portland, Oreg., and Washington, D.C. This will be the first nine. I think there are two more which I do not have the names of.

Mr. Evins. You keep forgetting the new hospital at Nashville Medical Center.

Mr. Driver. I believe that is in the second wave.

GAO REPORT ON EXCESSIVE DENTAL SERVICE

Mr. Minshall. Mr. Chairman, before we get too far away from the general subject of hospitals, I have one more GAO report I would like to ask about.

Mr. Evins. Mr. Minshall.

Mr. Minshall. This report is dated January 1965, under the title "Unnecessary Costs Resulting From Excessive Inpatient Dental Services to Hospital Patients at General Hospitals."

I think you are familiar, Mr. Director, with this report, but, in general, what they state is:

> Our review of the inpatient dental programs showed that the VA provided to many hospital patients dental services that seemed to be beyond the limitation of the reasonable and necessary care.

Skipping a little:

> The excess cost is to the tune of $1.3 million.

They conclude:

> We are reporting this matter to the Congress because it shows a need for a better administration of the inpatient dental program by the Veterans' Administration to avoid unnecessary costs to the Government.

I would like to have your comment, Mr. Administrator.

Mr. Driver. We replied formally to this report and, if I may, I would like to read briefly from our answer into the record.

Mr. Minshall. Briefly.

Mr. Driver. The question was not as to the legality of our dental program but whether our practices administratively led to excessive dental service to certain hospital patients. This is apparently based on the assumption that the dental service for patients other than long-term should be limited to adjunct situations. We disagreed with these assumptions of the General Accounting Office. The type of patient eligible for VA hospitalization influences the requirement for hospital care. Our patients are entirely different from those treated in most community hospitals, the majority of whom have continuing mental and dental care as private citizens. The matter of rehabilitation and the repair to reduce the feel for readmission is a growing responsibility directly related to treatment planning for these patients. Treatment of all infection and improving masticatory functions are important, and we do not agree that the examples cited in the report are typical.

Mr. Thomas. Are you not going out of your way to try to circumvent the GAO report? If a man goes in for a kidney infection, why work on his teeth?

Mr. Minshall. Here is another example on page 10. They state:

> The patient was hospitalized 38 days for chest pain, pleurisy, hypertension, and hemorrhoids. The patient received dental treatment consisting of restora-

tion and full upper and partial lower dentures. The treating physician stated that the dental treatment was not related to the treatment of the patient's medical conditions. The hospital director and chief of staff reviewed this case and stated that the dental treatment was probably not justified.

Mr. DRIVER. Of the several cases cited by one of their representatives, we found two we believed the treatment was questionable. I believe this was one of them.

Mr. MINSHALL. I do not want to take the time of the committee, but they cite numerous examples here, and if you have not already replied to the General Accounting Office report, I think you ought to do it here for the record.

Mr. DRIVER. Yes, sir. What we objected to was the general indictment of the fact that we were giving dental care that could not directly be described as adjunct treatment. We felt in treating the case that if the dental care would keep him out of a hospital we should give him the dental treatment. There were cases, as you point out——

Mr. MINSHALL. Here is another one. I am picking these out at random:

The patient was hospitalized 14 days for the removal of a tumor on the lower leg. He received dental treatment consisting of replacement of full upper and full lower dentures—

and so forth. How is this connected?

Mr. DRIVER. We would have to answer those specifically. In other cases there was other treatment because of a condition that was developing. But we can furnish other information for the record.

Mr. MINSHALL. Thank you.

Mr. EVINS. You should have it all. They gave him the full treatment while he was in there.

VA POSITION REGARDING DENTAL CARE

The letter, dated October 23, 1964, being placed in the record, from the Deputy Administrator, Veterans Administration, to the Assistant Director, Civil Accounting and Auditing Division, U.S. General Accounting Office, presents the Agency's position regarding the GAO findings and assumption in their report on dental care in VA general hospitals.

This letter also clarifies VA policy, hospital care mission, and the action taken to provide specific guidelines to assure more uniform implementation of policy.

Since we have not been furnished the backup data to include the identification of the cases presented in the report, we are unable to comment on the merits of the individual cases with the specificity required for a realistic audit. The overall physical condition and treatment objectives developed for these individual cases cannot be evaluated on the data furnished in the report.

We do note that in some of these cases the patients were provided treatment for removal of infection and/or restoration of masticatory function which was professionally determined to be necessary. Often VA patients with a history of neglect and chronic disease are found to be in need of treatment for conditions other than the complaint for which admitted. The prompt treatment of some of these conditions may be more important than the treatment of the condition for which hospitalized. Cancer detection and treatment is a dramatic example of this practice. The removal of oral infection, the restoration of functions of mastication, speech, and appearance as required for the rehabilitation of these patients are also examples of therapy provided as essential hospital care. The admission diagnosis is not a controlling factor in the medical or dental care furnished. Treatment is not limited to association with any specific medical condition. In outpatient care for service-connected conditions, the factor of association (adjunct care) does apply, but in hospital treatment planning, the total patient is the primary concern.

It is important to note that in the review of these cases the chiefs of staff responsible for the care of these patients, in almost every instance, pointed out the essential need for the hospital dental care. Whereas, the medical opinions obtained by the GAO auditors were in most cases expressed by medical residents (trainees), who were not familiar with the VA mission. We agree that some of the eight examples of excessive dental treatment presented in the GAO report might be questionable, but are convinced that these are not typical of the 612 cases referred to in the report.

We strongly convinced that there is a great need for dental care in the hospital medical care program, and that critical professional judgment is exercised throughout the VA in determining the need for this care.

OCTOBER 23, 1964.

MR. LORIN H. DRENNAN, Jr.,
*Assistant Director, Civil Accounting and Auditing Division, U.S. General Accounting Office, VA Building, Washington, D.C.*

DEAR MR. DRENNAN: We have reviewed the draft of your proposed report relating to dental services provided to hospital patients at VA general hospitals.

The report recognizes that under existing statutes, medical services have been defined to include dental services and appliances which the Administrator of Veterans Affairs determines to be reasonable and necessary. Hospital care is defined to include medical services rendered during the course of hospitalization. Therefore, there appears to be no question as to the legality of our dental care program. However, you question whether our adminstrative practices have led to excessive dental service to certain hospital patients in VA general hospitals. This appears to be based on the assumption that dental services for patients, other than long term, should be limited to bona fide adjunct situations. We disagree with this assumption.

We cannot agree that the dental care program in VA general hospitals, for other than the relief of pain and to long-term patients, should be limited to providing services to that which is related to, associated with, or necessary to the conditions for which the patients are hospitalized and treated. Such a limitation would be inconsistent with a professional determination as to what constitutes reasonable and proper care. In making this determination, the physician and/or dentist treating the patient must exercise his individual professional judgment; therefore, some variability in dental requirements and practices must be expected. In evaluating the need for hospital dental care, the total patient must be considered.

The type of patient eligible for VA hospitalization influences the requirements for hospital care. Outpatients are entirely different from those treated in most community hospitals, a majority of whom have continuing medical and dental care as private citizens. A recent study indicates that possibly 90 percent of our hospital patients do not have a private dentist and over 50 percent of the new patients have not had dental treatment for over 5 years. The matter of rehabilitation and the desire to reduce the need for readmission is a growing responsibility directly related to treatment planning for these patients. Treatment of oral infection and improving masticatory functions are important to attain these objectives.

We fully recognize the importance of dentistry in the diagnosis and treatment of our hospital patients. An all-station letter issued in May 1964 emphasized the importance of integrating the dental service in the desired multidisciplinary management of VA patients. It included the following policy to assist field stations in determining what constitutes reasonable and proper dental care for VA beneficiaries:

(*a*) A dental examination performed by a dentist is an integral part of the general physical examination performed in VA facilities.

(*b*) Dental treatment will be provided to patients for conditions which are service connected and for which the patient is legally entitled to treatment, are related to conditions being treated in the hospital, need VA treatment because the patient will be hospitalized for an extended period of time (e.g., 90 days or more), or represent a threat to the health or life of the patient.

This publication recognized the need for exercising individual professional judgment in treatment planning and some variability in the dental requirements was to be expected. If existing facilities and staff were inadequate to implement program objectives, long-range plans should be developed to provide the resources required.

We do not agree that the 9 examples outlined in the report are typical of the 612 cases cited as receiving unessential hospital dental treatment. In reviewing the 70 cases referred by your representatives on August 23, 1963, for review by the chief of staff, VA hospital, Brooklyn, we noted that only two had received questionable treatment. A similar experience was reported from the VA hospital, Birmingham.

The fact that only about one-third of our hospital patients are prescribed dental treatment indicates that VA physicians and dentists are exercising critical judgment as to the need for this service. However, we are aware of the wide variation in the extent of dental care prescribed at different VA hospitals, and are currently preparing additional guidelines for issuance to field stations within the framework of the general policy outlined above. We believe this will result in more uniform dentistry entitlement practices at our hospitals. Dental staffing requirements will be reevaluated at such time as sufficient experience under the new policy has been obtained.

If you need further information on this subject, our staff will be available for discussion. Enclosed are the draft copies of your report.

Sincerely,

W. J. DRIVER,
*Deputy Administrator.*

EXAMPLES OF INCREASES FOR MEDICAL CARE

Mr. Reporter, we will place in the record pages 4–26 and 4–33 through 4–35.

(The pages follow:)

GENERAL HOSPITALS

Net increases of 964 average employment and $11,189,000 for relocation in other general hospitals of 1,330 average patient load transferred from the 11 VA hospitals to be closed. The remainder of the 2,080 average patient load from the hospitals scheduled for closure will be transferred to VA neuropsychiatric hospitals (162) or nursing care beds (588). Loss of three average patient load at a hospital with major maintenance work scheduled in fiscal year 1966 also is included in this computation.

Increases of 537 average employment and $4,566,000 for partial activation of the 2 larger replacement hospitals located at Atlanta, Ga. (587 beds) and Washington, D.C. (710 beds) and the new 500-bed general hospital at Charleston, S.C. Estimated additional fiscal year 1966 workload, average employment, and fund requirements for each hospital are shown in the following table. Staffing ratios at these hospitals must be at higher than average ratios during the periods of activation.

| | Workload changes (averages) | | Additional requirements | |
|---|---|---|---|---|
| | Beds | ADPL | Employment | Funds |
| Atlanta, Ga. | 70 | 60 | 94 | $802,000 |
| Charleston, S.C. | 50 | 45 | 90 | 767,000 |
| Washington, D.C. | 225 | 235 | 353 | 2,997,000 |
| Total | 345 | 340 | 537 | 4,566,000 |

Increases of 85 average employment and $800,000 to provide care and treatment to 94 average patient load to be transferred from Public Health Service hospitals scheduled for closure. Of the 94 increased load, 63 will be provided treatment at the VA hospital, Memphis, Tenn., and the remaining 31 patient load at VA facilities in the Chicago, Ill., area.

*Open heart surgery centers*

Increases of 23 average employment and $342,000 for establishment of 13 open heart surgery centers. Open heart surgery for acquired heart disease has been made possible through the refinement of existing techniques and equipment such as extracorporeal pumps, the development of artificial valves and electrical pacemakers, and the improvement of surgical skills. Establishment of additional centers will be required in future years. The centers will be located to provide the best geographic coverage possible for veterans in all sections of the country. Because of the extensive workup, operating, and followup procedures required for this type case, it is expected that the average center would perform not less than one nor more than two surgical procedures per week.

*Pulmonary emphysema units*

Increases of 61 average employment and $613,000 for establishment of pulmonary emphysema units at 26 hospitals. Emphysema is basically a reduction in the surface area within the lung where the act of respiration takes place thereby causing shortness of breath and difficulty in breathing. Treatment to be provided in the planned units involves laboratory procedures and analysis, inhalation procedures, and antibiotic medications administered by specially trained personnel. The average daily patient caseload for the primary diagnosis of emphysema has increased from 1,200 in 1956 to 1,790 in 1962 and is projected at over 2,800 by the year 1970. Similarly, the number of individual patients with this diagnosis discharged increased from 6,848 in 1956 to 14,492 in 1962. The initial increment included for this medical disability in the fiscal year 1966 budget request will provide for treatment of 900 average patient load or about one-third of the projected caseload. Extension of this program is planned to continue through fiscal year 1970 with emphysema units activated at 80 hospitals. All emphysema units designated will be within the existing number of beds in hospital medical service sections with no construction required.

*Renal dialysis centers*

Increases of 70 average employment and $673,000 for expending the treatment at 11 existing renal dialysis centers. Additional expansion of these renal centers may be required in the 1967 fiscal year. Recent advances in medicines have demonstrated that certain individuals with seriously impaired renal functions, even with no functioning kidney tissue, can be kept alive and in a fairly normal state of health through dialysis. The agency plans to activate 42 renal dialysis centers before fiscal year 1970 in its general hospitals with limited construction work required therefor. These centers will be located to serve veterans in all sections of the continental United States and in San Juan, P.R. By the close of fiscal year 1965, 11 centers will have been activated. Additional centers are planned for fiscal year 1967 with the remainder to be activated by the close of fiscal year 1969. Centers vary in size from 6 to 10 beds and patients will be dialyzed on an average of twice each week. Funds requested in this estimate will permit the 11 existing centers to adequately maintain patients with an incurable disease (chronic uremia) to function adequately, continue as wage earners, and care for their families for an unlimited length of time. The potential patient demand has been estimated at approximately 600 patients per year for the 42 centers.

*Domiciliary community placement program*

Increases of three average employment and $18,000 for establishing one additional domiciliary community placement program. This program is conducted to effect placement of qualified domiciliary members in suitable residences in the outside community. Approximately 15 percent of the domiciliary population, or 2,000 members per year, have potential for restoration to outside community living. Community placement programs are presently in existence at VA center, Los Angeles, Calif., and VA center, Wood, Wis. The third program for which support is requested in this estimate will be conducted at the VA center at Dayton, Ohio. Each program has outplacement potential of 100 members per annum. Studies currently are in progress to determine potentials for the extension of this program to additional domiciliaries. No construction work is necessary for this program.

*Blind rehabilitation center*

Increases of seven average employment and $91,000 for establishment of an additional blind rehabilitation center. The incidence of blindness and severe visual impairments among veterans is increasing and will continue to do so with the advancing age of the veteran. The agency's present program of orientation of veterans to blindness is limited to one rehabilitation center established in 1948 at the VA hospital, Hines, Ill. Demand for service has progressively increased so that the capacity of the Hines hospital has been far exceeded. Agency long-range plans contemplate activation of two additional blind rehabilitation centers, one on the west coast a the Palo Alto (Menlo Park) VA hospital and the other on the east coast, tentatively planned at the VA hospital in Baltimore, Md. Each of he centers will have annual operating costs of about $350,000 when fully operational. The total VA potential caseload has been estimated at nearly 3,900 new cases each year. The increment now requested will permit the training of a cadre during the second half of fiscal year 1966 at the Hines Center for transfer to the Menlo Park Center on July 1, 1966. Additional requirements will be requested in the agency's fiscal year 1967 submission for the completely staffed center operation. Construction of the Menlo Park, Calif., Center will be completed by June 30, 1966.

AVERAGE DAILY CARE BENEFICIARY LOAD

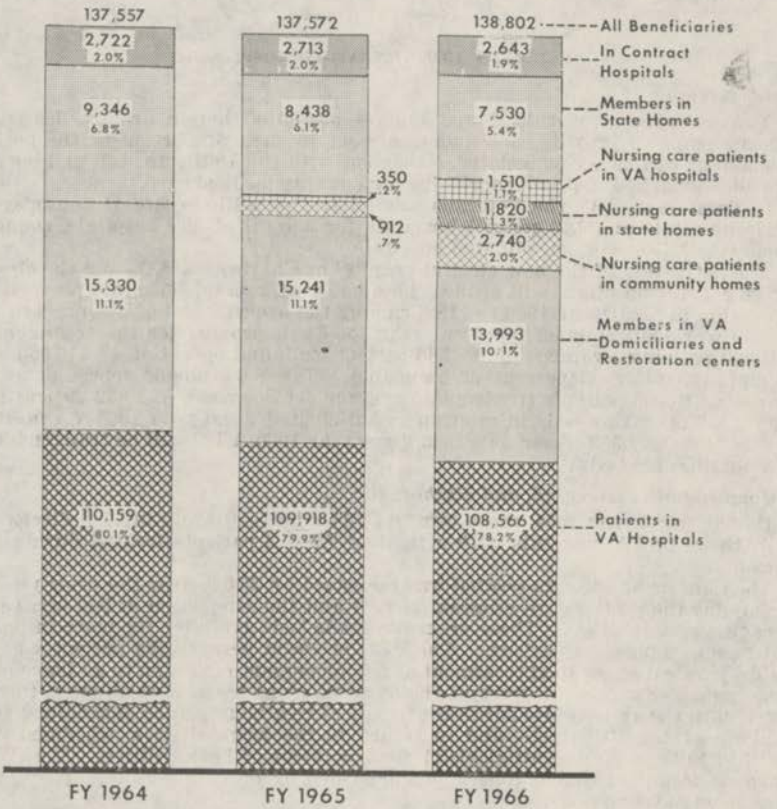
Mr. EVINS. We will jump over to the chart on page 4–52, which is the change in composition of average daily care beneficiary load. We will put 4–50 in the record also.

(The pages follow:)

*Comparative full-time equivalent employment summary by function*

| Function | 1964 actual | 1965 estimated | 1966 estimated | Increase(+) or decrease(−) |
|---|---|---|---|---|
| Direct care: | | | | |
| Medical | 3,875 | 3,964 | 4,116 | +152 |
| Surgical | 2,179 | 2,198 | 2,236 | +38 |
| Psychiatry | 980 | 997 | 1,019 | +22 |
| Social work | 1,583 | 1,595 | 1,646 | +51 |
| Radiology | 1,600 | 1,611 | 1,636 | +25 |
| Laboratory | 3,160 | 3,193 | 3,327 | +134 |
| Pharmacy | 821 | 830 | 859 | +29 |
| Medical illustration | 166 | 166 | 166 | |
| Library | 394 | 400 | 398 | −2 |
| Psychology | 986 | 1,003 | 1,014 | +11 |
| Audiology and speech pathology | 120 | 120 | 130 | +10 |
| Nursing service | 44,776 | 45,355 | 45,701 | +346 |
| Physical medicine and rehabilitation service | 4,373 | 4,383 | 4,420 | +37 |
| Dietetic | 16,648 | 16,648 | 16,208 | −440 |
| Chaplains | 404 | 404 | 402 | −2 |
| Dental service | 1,767 | 1,765 | 1,757 | −8 |
| Mental hygiene | 514 | 519 | 523 | +4 |
| Day care center | 86 | 111 | 133 | +22 |
| Prosthetic applications and sensory aids | 397 | 397 | 397 | |
| Subtotal | 84,829 | 85,659 | 86,088 | +429 |
| Administrative support: | | | | |
| Executive direction | 1,801 | 1,801 | 1,681 | −120 |
| Registrar and medical administration | 15,277 | 15,304 | 14,810 | −494 |
| Fiscal division | 2,110 | 2,115 | 1,957 | −158 |
| Personnel division | 1,240 | 1,245 | 1,201 | −44 |
| Supply division | 2,905 | 2,911 | 2,761 | −150 |
| Subtotal | 23,333 | 23,376 | 22,410 | −966 |
| Engineering Division, operations: | | | | |
| Supervision | 920 | 930 | 883 | −47 |
| Utility operations | 172 | 178 | 173 | −5 |
| Plant operations | 1,275 | 1,282 | 1,236 | −46 |
| Motor transportation | 869 | 876 | 818 | −58 |
| Other engineering operations | 2,951 | 2,979 | 2,789 | −190 |
| Subtotal | 6,187 | 6,245 | 5,899 | −346 |
| Engineering Division, maintenance and repair: | | | | |
| Buildings | 2,313 | 2,320 | 2,196 | −124 |
| Building services, equipment, and systems | 1,714 | 1,724 | 1,631 | −93 |
| Utility systems | 305 | 305 | 285 | −20 |
| Operating equipment | 872 | 877 | 845 | −32 |
| Other facilities | 390 | 392 | 378 | −14 |
| Subtotal | 5,594 | 5,618 | 5,335 | −283 |
| Housekeeping Division: | | | | |
| Housekeeping operations | 7,045 | 7,112 | 6,902 | −210 |
| Laundry and drycleaning | 2,780 | 2,790 | 2,688 | −102 |
| Subtotal | 9,825 | 9,902 | 9,590 | −312 |
| Total beneficiary care activities | 129,768 | 130,800 | 129,322 | −1,478 |
| Other benefits and services: | | | | |
| Care of dead | 34 | 34 | 32 | −2 |
| Agricultural activities | 7 | 7 | 7 | |
| Subtotal | 41 | 41 | 39 | −2 |
| Total average employment | 129,809 | 130,841 | 129,361 | −1,480 |

## CHANGE IN COMPOSITION OF AVERAGE DAILY CARE BENEFICIARY LOAD




Dr. McNinch. Could I make a comment on page 4–50, which I think is an important page?

Mr. Evins. All right.

Dr. McNinch. This shows a total reduction in the personnel by 1,480, but at the same time an increase of 429 in people who are actually engaged in direct patient care, which I think is derived in part from the closing of the hospitals where there is a decrease in the number of administrative personnel, engineering, and that type. But it is possible to utilize this consolidation to actually increase the number of people doing the patient care even though there is a total reduction in personnel.

Mr. EVINS. We will put in the record pages 4–53, 4–54, 4–55, and 4–56, which is the chart on the staffing ratios. Also insert page 4–133 on per diem rates.

(The pages follow:)

HOSPITAL CARE

VETERANS ADMINISTRATION HOSPITALS

*Introduction*

The estimate of workload and dollars presented herein are predicated on agency plans to provide care and treatment to such proportion of the patient demand as can be accommodated, consistent with the ability to staff and operate the additional beds without sacrificing high quality medical care.

In fiscal year 1965, the Veterans Administration will operate 41 neuropsychiatric hospitals and 128 general hospitals for a total of 169 hospitals, counting separate divisions of consolidated hospitals.

The activation of the new general hospital at Charleston, S.C., and the closure of 11 general hospitals will reduce the number of general hospitals planned for operation in fiscal year 1966 to 118, bringing the overall total of hospitals to 159.

The workload planned for fiscal year 1966 will provide for the treatment of 761,000 patients, averages of 108,566 patient load, and operation of 116,966 beds at approximately 93 percent of occupancy. These workloads represent an increase of 15,000 patients treated, and average net decreases of 1,352 patient load and 2,536 operating beds in relation to anticipated fiscal year 1965 VA hospital levels. Of the 1,352 lesser ADPL in fiscal year 1966, 1,160 will be transferred to VA nursing care beds.

*Patients admitted, treated, and discharged*

During fiscal year 1964, there were 609,077 admissions and 612,786 discharges of patients in VA hospitals with a total of 738,583 patients treated during this period.

The number of patients treated was increased by 25,646 over the prior year by expanding the prebed care program (PBC) and the completion of bed occupancy care program (CBOC). These programs made beds available for more intensive treatment of hospital patients. The PBC program permits the patient who requires surgical or medical treatment of a nonemergent condition to go home after undergoing preadmission workup (blood tests, urine tests, X-rays, etc.), to wait there until the appropriate surgical or medical treatment can be determined from analysis of the PBC tests, and to return to the hospital on a scheduled date (within 14 days of the initial visit) for treatment of his condition. The CBOC program results in earlier release of the patient by providing necessary followup care on an outpatent basis.

During fiscal year 1964, 18,283 patients were admitted through the PBC program. The PBC program accounted for 3 percent of all VA hospital admissions, and surgical cases accounted for two out of three of the PBC admissions.

The CBOC program speeded the release of 243,801 patients, enabling them to return to their homes at an earlier date. While the exact number of bed days made available by this program for admission of other patients cannot be determined, even 1 or 2 days of hospitalization saved per patient has profound effect on the agency's bed availability.

An increase in patients discharged with a resultant improvement in turnover rate was realized despite the continued rise in the proportion of VA patients requiring treatment of long-term disabilities and illnesses associated with an aging veteran population. The average monthly turnover rate (percentage of ADPL discharged) for all type of patients in VA hospitals was 46.4 percent in fiscal year 1964 compared to 44.5 percent in fiscal year 1963, thus continuing the upward trend experienced in recent years.

The increase in turnover resulted in part from the PBC and CBOC programs, but improved staffing and the changing diagnostic composition of the patient load also contributed to this end. A decrease in the number of tuberculosis patients in VA hospitals allowed the VA hospital system to accommodate more medical, surgical, and neurological patients in fiscal year 1964. The latter types of patients have relatively shorter lengths of stay than tuberculosis patients. There were

6,996 tuberculosis bed patients in VA hospitals in fiscal year 1963, and 6,435 in fiscal year 1964.

Trends of increased service resulting from all these factors are reflected in the following table:

| | 1962 | 1963 | 1964 | Change, 1964-63 | Percent change, 1964-63 (percent) |
|---|---|---|---|---|---|
| Patients admitted to VA hospitals | 561,808 | 585,297 | 609,077 | +23,780 | +4.1 |
| Patients treated in VA hospitals | 688,507 | 712,937 | 738,583 | +25,646 | +3.6 |
| Patients discharged from VA hospitals | 563,417 | 586,452 | 612,786 | +26,334 | +4.5 |

Shown on the following page is a comparative analysis of the patient per diem cost and the cost per patient treated in VA hospitals from fiscal year 1958 through fiscal year 1964. It should be noted that although the per diem cost has increased by $5.599, or 33.3 percent, the cost per patient treated has increased by only $97 or 8.6 percent during the same period.

| Fiscal year (actual) | Per diem cost | Cost per patients treated |
|---|---|---|
| 1958 | $16.835 | $1,128 |
| 1959 | 17.817 | 1,168 |
| 1960 | 18.439 | 1,180 |
| 1961 | 19.932 | 1,219 |
| 1962 | 20.873 | 1,227 |
| 1963 | 21.559 | 1,216 |
| 1964 | 22.434 | 1,225 |

The following table shows workload, employment, and staffing ratio comparisons for fiscal years 1964, 1965, and 1966.

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+), or decrease (−) |
|---|---|---|---|---|
| Number of hospitals | 168 | 169 | 159 | −10 |
| Average operating beds | 119,902 | 119,502 | 116,966 | −2,536 |
| Average daily patient load | 110,159 | 109,918 | 108,566 | −1,352 |
| Patients treated | 738,583 | 746,000 | 761,000 | +15,000 |
| Employment, average FTE | 114,582 | 115,226 | 113,376 | −1,850 |
| Ratio of employees to operating beds | 0.956 | 0.964 | 0.969 | +0.005 |
| Ratio of employees to ADPL | 1.040 | 1.048 | 1.044 | −.004 |

*Operating beds*

In a hospital system as vast as that operated by the VA, it is inevitable that many of the hospitals will experience a decrease in their average daily patient loads as patient turnover rates increase. It is the policy of the VA, however, that decreases in average patient loads at any hospital will be compensated by demonstrated increases in patient turnover.

The VA is presently operating under an overall hospital bed ceiling of 125,000 established by the President of the United States on February 26, 1959. Within this policy, the VA has the authority to change the designation of hospitals and to relocate beds on the basis of geographic demand. The flexibility thus granted enables the agency to meet changes in hospitalization demand more quickly.

Changes in operating bed levels at VA facilities for the comparative fiscal years are shown below. The changes in hospital beds planned for fiscal year 1966 result principally from modernization work at the Perry Point, Md., Fort Meade, S. Dak., Bedford, Mass., and New Orleans, La., hospitals; the new construction at Charleston, S.C., Atlanta, Ga., Washington, D.C., and Wood, Wis.; and the closure of the 11 hospitals.

*Operating bed changes*

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Neuropsychiatric hospitals | 57,538 | 56,240 | 55,871 | −369 |
| General hospitals | 62,364 | 63,262 | 61,095 | −2,167 |
| Total VA hospitals | 119,902 | 119,502 | 116,966 | −2,536 |

The total VA hospital bed authorization is based on the present structural capacity of each of the hospitals with adjustments for approved future hospital replacement and modernization projects. As of June 30, 1964, the total bed capacity of the VA hospitals was 120,963, of which 1,527 beds were unavailable on that date for reasons listed as follows:

| | |
|---|---|
| In process of activation | 54 |
| Type of bed not required—no patient demand | 567 |
| Space for beds undergoing construction or maintenance activity | 560 |
| Other reasons—due to hospital replacement, overcrowded conditions, etc | 346 |
| Total | 1,527 |

*Fiscal year 1964 per diem rates in Federal hospitals*

| | NP | General |
|---|---|---|
| Veterans' Administration | $15.25 | $29.43 |
| Air Force | | 32.39 |
| Navy | | 25.20 |
| Army: | | |
| Class I (Post—Fort Meade, etc.) | | 27.56 |
| Class II (Separate—Walter Reed, Valley Forge, etc.) | | 30.29 |
| Public Health Service: | | |
| Fort Worth (NP hospital) | 13.22 | |
| Lexington (NP hospital) | 11.68 | |
| General hospitals | | 30.08 |

*Per diem rates in VA hospitals—Actual*

| | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 |
|---|---|---|---|---|---|---|---|
| NP hospitals | $11.16 | $11.90 | $12.33 | $13.40 | $14.08 | $14.61 | $15.25 |
| General hospitals | 21.91 | 23.11 | 23.87 | 25.82 | 27.09 | 28.33 | 29.43 |
| All hospitals | 16.84 | 17.82 | 18.44 | 19.93 | 20.87 | 21.56 | 22.43 |

*Per diem rates in Federal general hospitals*

| Agency | 1960 | 1961 | 1962 | 1963 | 1964 |
|---|---|---|---|---|---|
| Army, class II | $25.68 | $27.99 | $29.21 | $29.88 | $30.29 |
| Navy | 22.11 | 23.50 | 22.54 | 22.74 | 25.20 |
| Air Force | 31.62 | 32.37 | 32.06 | 29.01 | 32.39 |
| Public Health Service | 24.08 | 27.22 | 27.10 | 27.81 | 30.88 |
| Veterans' Administration | 23.87 | 25.82 | 27.09 | 28.33 | 29.43 |

COMPOSITION OF AVERAGE DAILY PATIENT LOAD

Mr. Evins. Insert page 4–64 which gives a breakdown of the average daily patient load.

(The page follows:)

*Average daily patient load in VA hospitals*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| NP hospitals: [1] | | | | |
| Psychiatric patients | 50,546 | 49,493 | 48,618 | −875 |
| Medical patients [2] | 2,829 | 2,737 | 3,060 | +323 |
| Surgical patients [2] | 960 | 929 | 1,020 | +91 |
| Total patients | 54,335 | 53,159 | 52,698 | −461 |
| General hospitals: [1] | | | | |
| Psychiatric patients | 5,477 | 6,264 | 6,209 | −55 |
| Medical patients [2] | 33,878 | 33,826 | 33,187 | −639 |
| Surgical patients [2] | 16,469 | 16,669 | 16,472 | −197 |
| Total patients | 55,824 | 56,759 | 55,868 | −891 |
| All hospitals: | | | | |
| Psychiatric patients | 56,023 | 55,757 | 54,827 | −930 |
| Medical patients [2] | 36,707 | 36,563 | 36,247 | −316 |
| Surgical patients [2] | 17,429 | 17,598 | 17,492 | −106 |
| Total patients | 110,159 | 109,918 | 108,566 | −1,352 |

[1] Palo Alto division of the consolidated Palo Alto Hospital was carried as NP hospital in 1964. Redesignated as a "General hospital" effective July 1, 1964, and patient-load estimates included under "General hospitals" for 1965 and 1966.

[2] Patients with psychiatric-TB and neurologic conditions receiving treatment in medical and surgical wards are included in the respective counts for medical or surgical patients.

Mr. Evins. I believe yesterday we placed page 4–58 in the record, which is the overall hospital patient load. We have already discussed this.

WAITING LISTS

Page 4–65 shows the waiting list beneficiaries eligible for admission to VA hospitals.

Mr. Driver. They are at their lowest point, Mr. Evins.

Mr. Evins. In several years?

Mr. Driver. Yes, sir; and with the improvement in the number treated, next year will continue down.

Mr. Evins. We will place page 4–65 in the record.

(The page follows:)

*Waiting list of beneficiaries eligible for admission to VA hospitals*

| At end of month | Psychiatric patients | | Medical, surgical, and tubercular patients | | Total | | Increase (+) or decrease (−) |
|---|---|---|---|---|---|---|---|
| | 1963 | 1964 | 1963 | 1964 | 1963 | 1964 | |
| July | 11,904 | 11,144 | 5,801 | 6,959 | 17,705 | 18,103 | +398 |
| August | 11,866 | 10,745 | 5,625 | 6,100 | 17,491 | 16,845 | −646 |
| September | 11,762 | 10,873 | 6,033 | 5,840 | 17,795 | 16,713 | −1,082 |
| October | 12,031 | 10,778 | 5,770 | 5,514 | 17,801 | 16,292 | −1,509 |
| November | 12,009 | 10,998 | 5,527 | 5,022 | 17,536 | 16,020 | −1,516 |
| December | 12,103 | 10,971 | 5,330 | 4,483 | 17,433 | 15,454 | −1,979 |
| January | 12,495 | 11,236 | 8,232 | 7,273 | 20,727 | 18,509 | −2,218 |
| February | 12,917 | 11,522 | 10,603 | 8,475 | 23,520 | 19,997 | −3,523 |
| March | 13,127 | 11,571 | 11,155 | 8,126 | 24,282 | 19,697 | −4,585 |
| April | 12,593 | 10,776 | 9,199 | 7,731 | 21,792 | 18,507 | −3,285 |
| May | 11,779 | 10,111 | 7,596 | 7,130 | 19,375 | 17,241 | −2,134 |
| June | 11,371 | 10,048 | 8,076 | 6,825 | 19,447 | 16,873 | −2,574 |
| Monthly average | 12,163 | 11,564 | 7,412 | 6,623 | 19,575 | 18,187 | −1,388 |

## Neuropsychiatric Hospitals

Mr. Evins. Your neuropsychiatric hospitals remain at 41. The average operating beds estimated for 1966 are 55,871, which is a slight decrease. The average daily patient load for 1966 is estimated at 48,618, which is some decrease, but your costs go up, according to the chart on page 4–70, by $7,492,000. Personal services and benefits are up; rent, communications, and utility services are increased; supplies and materials are substantially increased; your equipment totals are also increased for the neuropsychiatric hospitals.

The chart on page 4–75 shows the patient load by various hospitals in the neuropsychiatric area.

Place in the record pages 4–69, 4–70, and 4–75.

(The pages follow:)

### Neuropsychiatric Hospitals

#### introduction

The estimate provides averages of 55,871 operating beds and 52,698 patient load in neuropsychiatric hospitals in fiscal year 1966, or decreases of 369 operating beds and 461 patient load averages from levels anticipated for fiscal year 1965. These decreases are necessitated by construction work that will be in progress in fiscal year 1966.

The estimate contemplates a net increase of 186 treatment staff for (1) establishment of medical and surgical bed sections at certain hospitals, (2) providing more adequate care and treatment for psychiatric-medically infirm patients, and (3) increasing the number of patients treated.

The following table shows workload, employment, and staffing ratio comparisons for fiscal years 1964, 1965, and 1966:

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Number of hospitals | 41 | 41 | 41 | |
| Average operating beds | 57,538 | 56,240 | 55,871 | −369 |
| Average daily patient load: | | | | |
| Psychiatric | 50,546 | 49,493 | 48,618 | −875 |
| Medical | 2,829 | 2,737 | 3,060 | +323 |
| Surgical | 960 | 929 | 1,020 | +91 |
| Total | 54,335 | 53,159 | 52,698 | −461 |
| Employment—Average FTE | 40,432 | 39,766 | 39,952 | +186 |
| Ratio of employees to operating beds | .703 | .707 | .715 | +.008 |
| Ratio of employees to ADPL | .744 | .748 | .758 | +.010 |

## *Comparative analysis of employment and costs by object*

| | | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost |
| 10 | Personal services and benefits: | | | | | | | | | |
| | Consultants and attendings | | 131 | $1,538,243 | 122 | $1,450,000 | 122 | $1,450,000 | | |
| | Nurses | | 3,625 | 27,645,652 | 3,602 | 29,403,000 | 3,647 | 29,810,000 | +45 | +$407,000 |
| | Dentists | | 157 | 2,542,662 | 152 | 2,635,000 | 154 | 2,670,000 | +2 | +35,000 |
| | Physicians | | 969 | 15,302,204 | 945 | 15,973,000 | 995 | 16,837,000 | +50 | +864,000 |
| | Clinical and counseling psychiatrists | | 314 | 3,749,737 | 261 | 3,336,000 | 270 | 3,457,000 | +9 | +121,000 |
| | Wage rate employees | | 11,478 | 59,416,241 | 11,201 | 60,327,000 | 11,211 | 59,335,000 | +10 | −992,000 |
| | Purchase and hire | | 29 | 210,071 | 29 | 225,000 | 29 | 225,000 | | |
| | Other personnel | | 23,729 | 139,190,091 | 23,454 | 147,052,000 | 23,524 | 147,434,000 | +70 | +382,000 |
| | Employee compensation payments | | | 203,000 | | 412,000 | | 467,000 | | +55,000 |
| | Subtotal | | 40,432 | 249,797,901 | 39,766 | 260,813,000 | 39,952 | 261,685,000 | +186 | +872,000 |
| 21 | Travel: | | *Unit cost* | | *Unit cost* | | *Unit cost* | | *Unit cost* | |
| | Employee travel | Employee | $3.601 | 145,589 | $3.621 | 144,000 | $3.604 | 144,000 | −$0.017 | |
| | Other travel | Average daily patient load | 1.949 | 105,922 | 1.956 | 104,000 | 1.974 | 104,000 | +.018 | |
| | Subtotal | | | 251,511 | | 248,000 | | 248,000 | | |
| 22 | Transportation of things | Average daily patient load | 7.632 | 414,699 | 7.619 | 405,000 | 7.685 | 405,000 | +.066 | |
| 23 | Rent, communications, and utility services: | | | | | | | | | |
| | Communications | Operating beds | 17.883 | 1,028,938 | 17.496 | 984,000 | 18.190 | 1,022,000 | +.694 | +38,000 |
| | Rental motion picture film | Average daily patient load | 6.591 | 358,097 | 6.114 | 325,000 | 6.414 | 338,000 | +.300 | +13,000 |
| | Utility services | Operating beds | 61.800 | 3,555,866 | 63.851 | 3,591,000 | 66.388 | 3,730,000 | +2.537 | +139,000 |
| | Rental of medical and other equipment | Average daily patient load | 5.247 | 285,119 | 5.173 | 275,000 | 5.408 | 285,000 | +.235 | +10,000 |
| | Subtotal | | | 5,228,020 | | 5,175,000 | | 5,375,000 | | +200,000 |
| 24 | Printing and reproduction | Average daily patient load | 3.578 | 194,394 | 4.571 | 243,000 | 4.611 | 243,000 | | |
| 25 | Other contractual services: | | | | | | | | | |
| | Repair prosthetic appliances | do | | | | | | | | |
| | Laundry services | do | .239 | 12,959 | .301 | 16,000 | .304 | 16,000 | +.003 | |
| | Medical, nursing, and dental fees | do | 6.537 | 355,198 | 6.546 | 348,000 | 6.699 | 353,000 | +.153 | +5,000 |
| | Compensated therapy | do | 5.681 | 308,674 | 6.208 | 330,000 | 6.452 | 340,000 | +.244 | +10,000 |
| | Repair furniture and equipment | Operating beds | 7.048 | 405,549 | 8.890 | 500,000 | 12.637 | 710,000 | +3.747 | +210,000 |
| | M. & R. contractual services | do | 23.494 | 1,351,775 | 49,342 | 2,775,000 | 47,700 | 2,680,000 | −1.642 | −95,000 |
| | Data processing service | Employee | | | | | 27.684 | 1,106,000 | +27.684 | +1,106,000 |
| | Other medical services | Patient treatment | 5.435 | 683,474 | 7.242 | 920,000 | 11.073 | 1,435,000 | +3.831 | +515,000 |
| | Subtotal | | | 3,117,629 | | 4,889,000 | | 6,640,000 | | +1,751,000 |

*Comparative analysis of employment and costs by object*—Continued

| | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost |
| 26 Supplies and materials: | | | | | | | | | |
| Provisions | Average daily patient load | 345.731 | 18,785,312 | 342.877 | 18,227,000 | 349.964 | 18,395,000 | +6.187 | +168,000 |
| Drugs and medicines | Patient treatment | 38.863 | 4,887,037 | 40.813 | 5,185,000 | 39.823 | 5,161,000 | −.990 | −24,000 |
| Blood and blood products | do | .775 | 97,517 | .811 | 103,000 | .810 | 105,000 | −.001 | +2,000 |
| Medical and dental supplies | do | 25.449 | 3,200,295 | 26.723 | 3,395,000 | 26.081 | 3,380,000 | −.642 | −15,000 |
| Fuels | Operating beds | 39.421 | 2,268,177 | 42.799 | 2,407,000 | 43.464 | 2,442,000 | +.665 | +35,000 |
| Operating supplies | do | 55.480 | 3,192,182 | 60.206 | 3,386,000 | 61.173 | 3,437,000 | +.967 | +51,000 |
| M. & R. supplies | do | 56.612 | 3,257,324 | 58.677 | 3,300,000 | 58.201 | 3,270,000 | −.476 | −30,000 |
| Linens | Average daily patient load | 21.239 | 1,154,017 | 23.025 | 1,224,000 | 23.568 | 1,242,000 | +.543 | +18,000 |
| Office supplies | Employee | 11.465 | 463,537 | 12.372 | 492,000 | 12.340 | 493,000 | +.032 | +1,000 |
| Other medical supplies | Patient treatment | 2.522 | 317,182 | 2.645 | 336,000 | 2.631 | 341,000 | −.014 | +5,000 |
| Subtotal | | | 37,622,580 | | 38,055,000 | | 38,266,000 | | +211,000 |
| 31 Equipment: | | | | | | | | | |
| Passenger vehicles | Replacement, critical | | 95,130 | | 43,000 | | 17,000 | | −26,000 |
| Nonpassenger vehicles | do | | 225,365 | | 109,000 | | 66,000 | | −43,000 |
| Furniture and fixtures | Operating beds | 31.651 | 1,821,122 | 29.392 | 1,653,000 | 31.806 | 1,787,000 | +2.414 | +134,000 |
| Medical, dental, and scientific equipment | do | 32.034 | 1,843,151 | 29.748 | 1,673,000 | 32.144 | 1,806,000 | +2.396 | +133,000 |
| Utility and other operations | do | 30.420 | 1,750,311 | 28.254 | 1,589,000 | 30.578 | 1,718,000 | +2.324 | +129,000 |
| Subtotal | | | 5,735,079 | | 5,067,000 | | 5,394,000 | | +327,000 |
| 32 Lands and structures | Operating beds | 16.017 | 921,587 | 14.438 | 812,000 | 88.333 | 4,963,000 | +73.895 | +4,151,000 |
| Total gross costs | | | 303,283,400 | | 315,707,000 | | 323,219,000 | | +7,512,000 |
| Less: Q.S. & L. | | | 1,760,611 | | 1,765,000 | | 1,785,000 | | +20,000 |
| Net costs | | | 301,522,789 | | 313,942,000 | | 321,434,000 | | +7,492,000 |

*Distribution of patient load and beds by hospitals*

| Station | Actual, 1964 average | | | Estimated, 1965 average | | | Estimated, 1966 average | | |
|---|---|---|---|---|---|---|---|---|---|
| | Operating beds | ADPL | Percent utilized | Operating beds | ADPL | Percent utilized | Operating beds | ADPL | Percent utilized |
| American Lake, Wash. | 904 | 833 | 92 | 904 | 835 | 92 | 904 | 835 | 92 |
| Augusta, Ga. | 1,323 | 1,239 | 94 | 1,323 | 1,233 | 93 | 1,323 | 1,233 | 93 |
| Battle Creek, Mich. | 2,000 | 1,888 | 94 | 2,000 | 1,886 | 94 | 2,000 | 1,886 | 94 |
| Bedford, Mass. | 1,521 | 1,443 | 95 | 1,469 | 1,407 | 96 | 1,400 | 1,326 | 95 |
| Biloxi, Miss. (Gulfport) | 904 | 873 | 97 | 884 | 850 | 96 | 884 | 850 | 96 |
| Brecksville, Ohio | 985 | 901 | 91 | 994 | 900 | 91 | 994 | 918 | 92 |
| Brockton, Mass. | 988 | 957 | 97 | 988 | 957 | 97 | 988 | 957 | 97 |
| Canandaigua, N.Y. | 1,700 | 1,608 | 95 | 1,700 | 1,608 | 95 | 1,700 | 1,665 | 98 |
| Chillicothe, Ohio | 2,080 | 1,941 | 93 | 2,080 | 1,932 | 93 | 2,080 | 1,900 | 91 |
| Coatesville, Pa. | 1,602 | 1,552 | 97 | 1,602 | 1,552 | 97 | 1,602 | 1,552 | 97 |
| Danville, Ill. | 1,680 | 1,620 | 96 | 1,680 | 1,622 | 97 | 1,680 | 1,582 | 94 |
| Downey, Ill. | 2,486 | 2,343 | 94 | 2,487 | 2,341 | 94 | 2,487 | 2,341 | 94 |
| Fort Lyon, Colo. | 681 | 653 | 96 | 681 | 660 | 97 | 681 | 655 | 96 |
| Fort Meade, S. Dak. | 684 | 602 | 88 | 596 | 577 | 97 | 464 | 430 | 93 |
| Jefferson Barracks, Mo. | 815 | 787 | 97 | 815 | 785 | 96 | 815 | 785 | 96 |
| Knoxville, Iowa | 1,515 | 1,410 | 93 | 1,515 | 1,410 | 93 | 1,515 | 1,433 | 95 |
| Lebanon, Pa. | 1,074 | 1,062 | 99 | 1,056 | 1,014 | 96 | 1,056 | 997 | 94 |
| Lexington, Ky. | 1,156 | 1,046 | 90 | 1,156 | 1,053 | 91 | 1,156 | 1,053 | 91 |
| Los Angeles, Calif. | 1,984 | 1,910 | 96 | 1,984 | 1,910 | 96 | 1,984 | 1,910 | 96 |
| Lyons, N.J. | 2,009 | 1,991 | 99 | 2,009 | 1,993 | 99 | 2,009 | 1,910 | 95 |
| Marion, Ind. | 1,650 | 1,556 | 94 | 1,650 | 1,543 | 94 | 1,650 | 1,543 | 94 |
| Menlo Park,, Calif. (Palo Alto) | 1,119 | 1,060 | 95 | 1,123 | 1,067 | 95 | 1,048 | 1,029 | 98 |
| Montrose, N.Y. | 1,884 | 1,811 | 96 | 1,900 | 1,814 | 95 | 1,900 | 1,829 | 96 |
| Murfreesboro, Tenn. | 1,275 | 1,200 | 94 | 1,275 | 1,192 | 93 | 1,275 | 1,192 | 93 |
| Northampton, Mass. | 1,105 | 1,076 | 97 | 1,105 | 1,077 | 97 | 1,105 | 1,077 | 97 |
| North Little Rock, Ark. | 2,062 | 1,991 | 97 | 2,062 | 1,985 | 96 | 2,062 | 1,985 | 96 |
| Northport, N.Y. | 2,320 | 2,217 | 96 | 2,272 | 2,178 | 96 | 2,272 | 2,178 | 96 |
| Palo Alto, Calif. | 1,000 | 940 | 94 | | | | | | |
| Perry Point, Md. | 1,511 | 1,392 | 92 | 1,500 | 1,365 | 91 | 1,440 | 1,300 | 90 |
| Pittsburgh, Pa. | 951 | 903 | 95 | 951 | 905 | 95 | 951 | 925 | 97 |
| Roseburg, Oreg. | 664 | 595 | 90 | 655 | 593 | 91 | 655 | 583 | 89 |
| St. Cload, Minn. | 1,379 | 1,220 | 88 | 1,379 | 1,215 | 88 | 1,379 | 1,215 | 88 |
| Salem, Va. | 1,900 | 1,830 | 96 | 1,900 | 1,825 | 96 | 1,900 | 1,800 | 95 |
| Salisbury, N.C. | 1,004 | 971 | 97 | 1,004 | 962 | 96 | 1,004 | 962 | 96 |
| Sepulveda, Calif. | 956 | 914 | 96 | 941 | 908 | 96 | 941 | 888 | 94 |
| Sheridan, Wyo. | 704 | 607 | 86 | 707 | 625 | 88 | 707 | 615 | 87 |
| Togus, Maine | 869 | 776 | 89 | 869 | 773 | 89 | 869 | 807 | 93 |
| Tomah, Wis. | 1,176 | 1,059 | 90 | 1,176 | 1,060 | 90 | 1,176 | 1,060 | 90 |
| Topeka, Kans. | 1,011 | 963 | 95 | 1,011 | 961 | 95 | 1,011 | 961 | 95 |
| Tuscaloosa, Ala. | 964 | 925 | 96 | 964 | 921 | 96 | 964 | 921 | 96 |
| Tuskegee, Ala. | 1,903 | 1,705 | 90 | 1,833 | 1,700 | 93 | 1,800 | 1,650 | 92 |
| Waco, Tex. | 2,040 | 1,965 | 96 | 2,040 | 1,965 | 96 | 2,040 | 1,960 | 96 |
| Total | 57,538 | 54,335 | 94 | 56,240 | 53,159 | 95 | 55,871 | 52,698 | 94 |

## General Hospitals

Mr. Evins. Let us take a look at general hospitals. Place pages 4–77, 4–78, 4–83, and 4–84 in the record.

(The pages follow:)

### General Hospitals

#### INTRODUCTION

The estimate provides averages of 61,095 operating beds and 55,868 patient load in general hospitals in fiscal year 1966, or net decreases of 2,167 operating beds and 891 patient load averages from levels anticipated for fiscal year 1965. Net decreases of 2,036 average employment are contemplated for fiscal year 1966.

These net decreases consist of (1) increases to increase patient turnover rates, improve the quality of medical treatment, and add new medical services at existing facilities, activation of the new general hospitals at Atlanta, Ga., Charleston, S.C., and Washington, D.C., and (2) decreases due to the closure of 11 hospitals and savings from management improvement actions.

The following table shows workload, employment, and staffing ratio comparisons for fiscal years 1964, 1965, and 1966.

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Number of hospitals | 127 | 128 | 118 | −10 |
| Average operating beds | 62,364 | 63,262 | 61,095 | −2,167 |
| Average daily patient load: | | | | |
| Psychiatric | 5,477 | 6,264 | 6,209 | −55 |
| Medical | 33,878 | 33,826 | 33,187 | −639 |
| Surgical | 16,469 | 16,669 | 16,472 | −197 |
| Total | 55,824 | 56,759 | 55,868 | −891 |
| Employment—Average FTE | 74,150 | 75,460 | 73,424 | −2,036 |
| Ratio of employees to operating beds | 1.189 | 1.193 | 1.202 | +.009 |
| Ratio of employees to ADPL | 1.328 | 1.329 | 1.314 | −.015 |

*Comparative analysis of employment and costs by object*

| Costs by subobject | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost |
| 10 Personal services and benefits: | | | | | | | | | |
| Consultings and attendings | | 736 | $6,983,606 | 745 | $7,133,000 | 740 | $7,085,000 | −5 | −$48,000 |
| Nurses | | 11,488 | 86,734,890 | 11,670 | 95,538,000 | 11,697 | 95,755,000 | +27 | +217,000 |
| Dentists | | 347 | 5,641,546 | 346 | 5,808,000 | 347 | 5,825,000 | +1 | +17,000 |
| Physicians | | 4,196 | 63,804,341 | 4,267 | 70,114,000 | 4,323 | 71,034,000 | +56 | +920,000 |
| Clinical and counseling psychologists | | 213 | 2,684,844 | 266 | 3,395,000 | 266 | 3,403,000 | | +8,000 |
| Wage rate employees | | 21,036 | 107,920,814 | 21,488 | 114,242,000 | 20,764 | 111,481,000 | −724 | −2,761,000 |
| Purchase and hire | | 74 | 488,089 | 74 | 490,000 | 69 | 457,000 | −5 | −33,000 |
| Other personnel | | 36,060 | 217,870,518 | 36,604 | 241,724,000 | 35,218 | 234,034,000 | −1,386 | −7,690,000 |
| Employees compensation payments | | | 409,197 | | 763,000 | | 917,000 | | +154,000 |
| Subtotal | | 74,150 | 492,537,845 | 75,460 | 539,207,000 | 73,424 | 529,991,000 | −2,036 | −9,216,000 |
| 21 Travel: | | *Unit cost* | | *Unit cost* | | *Unit cost* | | *Unit cost* | |
| Employees travel | Employee | $4.858 | 360,202 | $4.824 | 364,000 | $4.971 | 365,000 | +$.147 | +1,000 |
| Other travel | Average daily patient load | 4.246 | 237,018 | 5.356 | 304,000 | 4.797 | 268,000 | −.559 | −36,000 |
| Subtotal | | | 597,220 | | 668,000 | | 633,000 | | −35,000 |
| 22 Transportation of things | do | 17.245 | 962,707 | 17.618 | 1,000,000 | 17.613 | 984,000 | −.005 | −16,000 |
| 23 Rent communication, and utility services: | | | | | | | | | |
| Communications | Operating beds | 42.507 | 2,650,912 | 45.525 | 2,880,000 | 46.861 | 2,863,000 | +1.336 | −17,000 |
| Rental, motion picture film | Average daily patient load | 13.527 | 755,119 | 13.319 | 756,000 | 13.532 | 756,000 | +.213 | |
| Rental of medical and other equipment | do | 8.606 | 480,434 | 8.563 | 486,000 | 8.681 | 485,000 | +.118 | −1,000 |
| Utility services | Operating beds | 135.938 | 8,477,620 | 146.170 | 9,247,000 | 148.359 | 9,064,000 | +2.189 | −183,000 |
| Subtotal | | | 12,364,085 | | 13,369,000 | | 13,168,000 | | −201,000 |
| 24 Printing and reproduction | Average daily patient load | 8.412 | 469,579 | 10.730 | 609,000 | 10.686 | 597,000 | −.044 | −12,000 |

*Comparative analysis of employment and costs by object*—Continued

| Costs of subobject | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost |
| 25 Other contractual services: | | | | | | | | | |
| Repair prosthetic appliances | do | | | | | | | | |
| Laundry services | do | 14.953 | $834,750 | 12.456 | $707,000 | 16.217 | $906,000 | +3.761 | +$199,000 |
| Medical, nursing, and dental fees | do | 14.489 | 808,859 | 11.980 | 680,000 | 14.588 | 815,000 | +2.608 | +135,000 |
| Compensated therapy | do | 5.120 | 285,822 | 4.158 | 236,000 | 6.050 | 338,000 | +1.892 | +102,000 |
| Repair furniture and equipment | Operating beds | 21.323 | 1,329,810 | 17.578 | 1,112,000 | 25.894 | 1,582,000 | +8.316 | +470,000 |
| Maintenance and repair contractual services. | do | 58.485 | 3,647,368 | 92.093 | 5,826,000 | 73.901 | 4,515,000 | −18.192 | −1,311,000 |
| Other medical services | Average daily patient load | 32.714 | 1,826,246 | 26.639 | 1,512,000 | 23.090 | 1,290,000 | −3.549 | −222,000 |
| Data processes services | Employment | | | | | 25.945 | 1,905,000 | +25.945 | +1,905,000 |
| Subtotal | | | 8,732,855 | | 10,073,000 | | 11,351,000 | | +1,278,000 |
| 26 Supplies and materials: | | | | | | | | | |
| Provisions | Average daily patient load | 397.751 | 22,204,033 | 400.677 | 22,742,000 | 395.164 | 22,077,000 | −5.513 | −665,000 |
| Drugs and medicines | Patients treated | 21.854 | 13,392,601 | 21.242 | 13,148,000 | 21.250 | 13,417,000 | +.008 | +269,000 |
| Blood and blood products | do | 3.215 | 1,970,460 | 3.091 | 1,913,000 | 3.155 | 1,992,000 | +.064 | +79,000 |
| Medical and dental supplies | do | 22.483 | 13,778,574 | 21.604 | 13,372,000 | 21.524 | 13,590,000 | −.080 | +218,000 |
| Fuels | Operating beds | 45.757 | 2,853,590 | 44.150 | 2,793,000 | 47.467 | 2,900,000 | +3.317 | +107,000 |
| Operating supplies | do | 75.755 | 4,724,382 | 72.461 | 4,584,000 | 77.879 | 4,758,000 | +5.418 | +174,000 |
| Maintenance and repair supplies | do | 86.171 | 5,373,952 | 105.703 | 6,687,000 | 102.693 | 6,274,000 | −3.010 | −413,000 |
| Linens | Average daily patient load | 41.425 | 2,312,498 | 39.518 | 2,243,000 | 41.705 | 2,330,000 | +2.187 | +87,000 |
| Office supplies | Employment | 18.016 | 1,335,909 | 17.188 | 1,297,000 | 18.373 | 1,349,000 | +1.185 | +52,000 |
| Other medical supplies | Patients treated | 1.075 | 658,855 | 1.034 | 640,000 | 1.058 | 668,000 | +.024 | +28,000 |
| Subtotal | | | 68,604,854 | | 69,419,000 | | 69,355,000 | | −64,000 |
| 31 Equipment: | | | | | | | | | |
| Passenger vehicles | (Replacement, criteria) | | 91,383 | | 40,000 | | 14,000 | | −26,000 |
| Nonpassenger vehicles | do | | 225,897 | | 109,000 | | 89,000 | | −20,000 |
| Furniture and fixtures | Operating beds | 52.914 | 3,299,957 | 51.247 | 3,242,000 | 59.858 | 3,657,000 | +8.611 | +415,000 |
| Medical, dental, and scientific equipment | do | 135.649 | 8,459,623 | 130.584 | 8,261,000 | 152.206 | 9,299,000 | +21.622 | +1,038,000 |
| Utilities and other operations | do | 50.010 | 3,118,801 | 48.465 | 3,066,000 | 56.371 | 3,444,000 | +7.906 | +378,000 |
| Subtotal | | | 15,195,661 | | 14,718,000 | | 16,503,000 | | +1,785,000 |
| 32 Lands and structures | do | 28.242 | 1,761,266 | 24.517 | 1,551,000 | 155.970 | 9,529,000 | +131.453 | +7,978,000 |
| Total gross costs | | | 601,226,072 | | 650,614,000 | | 652,111,000 | | +1,497,000 |
| Less: Q.S. & L. | | | 3,264,404 | | 3,379,000 | | 3,335,000 | | −44,000 |
| Net costs | | | 597,961,668 | | 647,235,000 | | 648,776,000 | | +1,541,000 |

*Distribution of patient load and beds by hospitals*

| Station | Actual, 1964 average | | | Estimated, 1965 average | | | Estimated, 1966 average | | |
|---|---|---|---|---|---|---|---|---|---|
| | Operating beds | Average daily patient load | Percent of utilization | Operating beds | Average daily patient load | Percent of utilization | Operating beds | Average daily patient load | Percent of utilization |
| Albany, N.Y. | 1,005 | 898 | 89 | 1,005 | 900 | 90 | 1,005 | 965 | 96 |
| Albuquerque, N. Mex. | 500 | 479 | 96 | 500 | 475 | 95 | 500 | 496 | 99 |
| Alexandria, La. | 498 | 429 | 86 | 488 | 426 | 87 | 438 | 426 | 97 |
| Altoona, Pa. | 200 | 181 | 91 | 200 | 182 | 91 | 200 | 184 | 92 |
| Amarillo, Tex. | 156 | 140 | 90 | 156 | 138 | 88 | 156 | 140 | 90 |
| Ann Arbor, Mich. | 486 | 405 | 83 | 486 | 415 | 85 | 486 | 425 | 87 |
| Atlanta, Ga. | 300 | 273 | 91 | 300 | 275 | 92 | 370 | 335 | 91 |
| Augusta, Ga. | 421 | 374 | 89 | 421 | 380 | 90 | 421 | 385 | 91 |
| Baltimore, Md. | 291 | 263 | 90 | 283 | 260 | 92 | 291 | 265 | 91 |
| Batavia, N.Y. | 240 | 223 | 93 | 240 | 220 | 92 | 257 | 236 | 92 |
| Bath, N.Y. | 273 | 224 | 82 | 273 | 225 | 82 | | | |
| Bay Pines, Fla. | 652 | 620 | 95 | 660 | 615 | 93 | 660 | 630 | 95 |
| Beckley, W. Va. | 196 | 170 | 87 | 196 | 172 | 88 | 171 | 150 | 88 |
| Big Spring, Tex. | 250 | 215 | 86 | 250 | 217 | 87 | 250 | 227 | 90 |
| Biloxi, Miss. | 209 | 196 | 94 | 209 | 208 | 99 | 209 | 208 | 99 |
| Birmingham, Ala. | 479 | 430 | 90 | 479 | 445 | 93 | 479 | 445 | 93 |
| Boise, Idaho | 203 | 171 | 84 | 203 | 175 | 86 | 203 | 180 | 89 |
| Bonham, Tex. | 56 | 51 | 91 | 56 | 48 | 86 | 56 | 50 | 89 |
| Boston, Mass. | 920 | 804 | 87 | 920 | 810 | 88 | 920 | 820 | 89 |
| Brecksville, Ohio | 177 | 118 | 67 | 157 | 105 | 67 | | | |
| Bronx, N.Y. | 1,307 | 1,187 | 91 | 1,291 | 1,190 | 92 | 1,311 | 1,212 | 92 |
| Brooklyn, N.Y. | 1,000 | 909 | 91 | 1,000 | 909 | 91 | 1,000 | 936 | 94 |
| Buffalo, N.Y. | 951 | 857 | 90 | 951 | 850 | 89 | 951 | 875 | 92 |
| Butler, Pa. | 450 | 410 | 91 | 450 | 410 | 91 | 485 | 437 | 90 |
| Castle Point, N.Y. | 256 | 230 | 90 | 239 | 218 | 91 | | | |
| Charleston, S.C. | | | | | | | 50 | 45 | 90 |
| Cheyenne, Wyo. | 133 | 110 | 83 | 133 | 106 | 80 | 133 | 109 | 82 |
| Chicago, Ill. (West Side) | 505 | 478 | 95 | 505 | 465 | 92 | 505 | 470 | 93 |
| Chicago, Ill. (research) | 516 | 443 | 86 | 516 | 450 | 87 | 516 | 481 | 93 |
| Cincinnati, Ohio | 460 | 409 | 89 | 463 | 416 | 90 | 463 | 426 | 92 |
| Clarksburg, W. Va. | 200 | 175 | 88 | 200 | 180 | 90 | 200 | 184 | 92 |
| Cleveland, Ohio. | 804 | 666 | 83 | 800 | 712 | 89 | 800 | 747 | 93 |
| Columbia, S.C. | 600 | 546 | 91 | 586 | 546 | 93 | 586 | 546 | 93 |
| Coral Gables, Fla. | 450 | 468 | 104 | 497 | 460 | 93 | 497 | 460 | 93 |
| Dallas, Tex. | 778 | 710 | 91 | 778 | 730 | 94 | 778 | 740 | 95 |
| Dayton, Ohio | 779 | 698 | 90 | 719 | 670 | 93 | 719 | 648 | 90 |
| Dearborn, Mich. | 890 | 767 | 86 | 850 | 735 | 86 | 850 | 732 | 86 |
| Denver, Colo. | 528 | 444 | 84 | 528 | 455 | 86 | 528 | 475 | 90 |
| Des Moines, Iowa | 340 | 304 | 89 | 355 | 310 | 87 | 386 | 334 | 87 |
| Dublin, Ga. | 500 | 476 | 95 | 500 | 486 | 97 | 500 | 486 | 97 |
| Durham, N.C. | 489 | 461 | 94 | 489 | 450 | 92 | 489 | 455 | 93 |
| Dwight, Ill. | 210 | 182 | 87 | 215 | 190 | 88 | | | |
| East Orange, N.J. | 950 | 901 | 95 | 950 | 900 | 95 | 950 | 900 | 95 |
| Erie, Pa. | 204 | 170 | 83 | 204 | 175 | 86 | 204 | 185 | 91 |
| Fargo, N. Dak. | 228 | 199 | 87 | 228 | 196 | 86 | 228 | 211 | 93 |
| Fayetteville, Ark. | 254 | 221 | 87 | 254 | 222 | 87 | 254 | 229 | 90 |
| Fayetteville, N.C. | 390 | 337 | 86 | 390 | 340 | 87 | 390 | 349 | 89 |
| Fort Bayard, N. Mex. | 215 | 169 | 79 | 215 | 175 | 81 | | | |
| Fort Harrison, Mont. | 161 | 142 | 88 | 160 | 145 | 91 | 160 | 151 | 94 |
| Fort Howard, Md. | 377 | 327 | 87 | 377 | 325 | 86 | 377 | 340 | 90 |
| Fort Thomas, Ky. | 254 | 257 | 101 | 254 | 249 | 98 | 184 | 177 | 96 |
| Fort Wayne, Ind. | 200 | 180 | 90 | 200 | 177 | 89 | 200 | 183 | 92 |
| Fresno, Calif. | 250 | 231 | 92 | 250 | 225 | 90 | 250 | 232 | 93 |
| Grand Island, Nebr. | 201 | 156 | 78 | 201 | 160 | 80 | 201 | 180 | 90 |
| Grand Junction, Colo. | 145 | 110 | 76 | 136 | 108 | 79 | | | |
| Hines, Ill. | 2,077 | 1,930 | 93 | 2,076 | 1,935 | 93 | 2,076 | 1,962 | 95 |
| Hot Springs, S. Dak. | 241 | 187 | 78 | 245 | 190 | 78 | 245 | 203 | 83 |
| Houston, Tex. | 1,219 | 1,168 | 96 | 1,242 | 1,157 | 93 | 1,300 | 1,190 | 92 |
| Huntington, W. Va. | 180 | 160 | 89 | 180 | 161 | 89 | 180 | 165 | 92 |
| Indianapolis, Ind. | 727 | 586 | 81 | 704 | 587 | 83 | 704 | 623 | 88 |
| Iowa City, Iowa | 482 | 400 | 83 | 480 | 415 | 86 | 480 | 415 | 86 |
| Iron Mountain, Mich. | 269 | 226 | 84 | 269 | 230 | 86 | 269 | 232 | 86 |
| Jackson, Miss. | 498 | 448 | 90 | 498 | 452 | 91 | 498 | 460 | 92 |
| Kansas City, Mo. | 496 | 439 | 89 | 501 | 454 | 91 | 501 | 463 | 92 |
| Kecoughtan, Va. | 570 | 566 | 99 | 604 | 550 | 91 | 604 | 550 | 91 |
| Kerrville, Tex. | 422 | 378 | 90 | 422 | 380 | 90 | 422 | 380 | 90 |
| Lake City, Fla. | 446 | 409 | 92 | 468 | 421 | 90 | 468 | 430 | 92 |
| Lincoln, Nebr. | 248 | 193 | 78 | 250 | 195 | 78 | | | |
| Little Rock, Ark. | 471 | 426 | 90 | 471 | 430 | 91 | 471 | 435 | 92 |
| Livermore, Calif. | 465 | 413 | 89 | 466 | 437 | 94 | 466 | 434 | 93 |
| Long Beach, Calif. | 1,579 | 1,458 | 93 | 1,581 | 1,440 | 91 | 1,581 | 1,455 | 92 |
| Los Angeles, Calif. | 1,466 | 1,390 | 95 | 1,432 | 1,390 | 97 | 1,432 | 1,351 | 94 |
| Louisville, Ky. | 496 | 459 | 93 | 496 | 452 | 91 | 496 | 457 | 92 |
| Madison, Wis. | 456 | 386 | 85 | 475 | 390 | 82 | 475 | 400 | 84 |
| Manchester, N.H. | 150 | 131 | 87 | 150 | 130 | 87 | 150 | 139 | 93 |
| Marion, Ill. | 176 | 172 | 98 | 176 | 170 | 97 | 176 | 170 | 97 |

*Distribution of patient load and beds by hospitals*—Continued

| Station | Actual, 1964 average | | | Estimated, 1965 average | | | Estimated, 1966 average | | |
|---|---|---|---|---|---|---|---|---|---|
| | Operating beds | Average daily patient load | Percent of utilization | Operating beds | Average daily patient load | Percent of utilization | Operating beds | Average daily patient load | Percent of utilization |
| Marlin, Tex | 201 | 195 | 97 | 201 | 194 | 97 | 201 | 194 | 97 |
| Martinez, Calif | 486 | 428 | 88 | 498 | 430 | 86 | 498 | 465 | 93 |
| Martinsburg, W. Va | 840 | 701 | 83 | 840 | 710 | 85 | 840 | 720 | 86 |
| McKinney, Tex | 271 | 258 | 95 | 271 | 255 | 94 | | | |
| Memphis, Tenn | 1,252 | 1,130 | 90 | 1,240 | 1,117 | 90 | 1,230 | 1,030 | 84 |
| Miles City, Mont | 96 | 84 | 88 | 96 | 80 | 83 | | | |
| Minneapolis, Minn | 1,014 | 935 | 92 | 1,014 | 940 | 93 | 1,014 | 955 | 94 |
| Montgomery, Ala | 285 | 240 | 84 | 285 | 240 | 84 | 285 | 245 | 86 |
| Mountain Home, Tenn | 575 | 554 | 96 | 575 | 545 | 95 | 575 | 545 | 95 |
| Muskogee, Okla | 390 | 339 | 87 | 390 | 338 | 87 | 390 | 343 | 87 |
| Nashville, Tenn | 498 | 463 | 93 | 498 | 455 | 91 | 498 | 465 | 93 |
| Newington, Conn | 250 | 208 | 83 | 250 | 205 | 82 | 250 | 229 | 92 |
| New Orleans, La | 491 | 480 | 98 | 512 | 478 | 93 | 591 | 537 | 91 |
| New York, N.Y | 1,218 | 1,095 | 90 | 1,218 | 1,093 | 90 | 1,213 | 1,093 | 90 |
| Oklahoma City, Okla | 488 | 384 | 79 | 488 | 390 | 80 | 488 | 410 | 84 |
| Omaha, Nebr | 486 | 429 | 88 | 486 | 430 | 88 | 486 | 461 | 95 |
| Oteen, N.C | 850 | 802 | 94 | 850 | 785 | 92 | 850 | 785 | 92 |
| Palo Alto, Calif | | | | 1,000 | 951 | 95 | 1,000 | 955 | 96 |
| Philadelphia, Pa | 488 | 450 | 92 | 488 | 450 | 92 | 488 | 450 | 92 |
| Phoenix, Ariz | 192 | 185 | 96 | 192 | 185 | 96 | 192 | 185 | 96 |
| Pittsburgh, Pa | 1,100 | 1,027 | 93 | 1,100 | 1,035 | 94 | 1,100 | 1,035 | 94 |
| Poplar Bluff, Mo | 202 | 180 | 89 | 179 | 160 | 89 | 179 | 159 | 89 |
| Portland, Oreg | 547 | 516 | 94 | 555 | 509 | 92 | 555 | 515 | 93 |
| Providence, R.I | 393 | 356 | 91 | 393 | 358 | 91 | 393 | 370 | 94 |
| Reno, Nev | 202 | 182 | 90 | 202 | 180 | 89 | 202 | 182 | 90 |
| Richmond, Va | 957 | 835 | 87 | 945 | 820 | 87 | 945 | 835 | 88 |
| Rutland Heights, Mass | 481 | 391 | 81 | 445 | 363 | 82 | | | |
| Saginaw, Mich | 217 | 184 | 85 | 217 | 185 | 85 | 217 | 187 | 86 |
| St. Louis, Mo | 513 | 462 | 90 | 513 | 470 | 92 | 513 | 470 | 92 |
| Salt Lake City, Utah | 576 | 502 | 87 | 568 | 517 | 91 | 568 | 526 | 93 |
| San Fernando, Calif | 519 | 474 | 91 | 514 | 473 | 92 | 519 | 475 | 92 |
| San Francisco, Calif | 410 | 382 | 93 | 410 | 385 | 94 | 410 | 385 | 94 |
| San Juan, P.R | 200 | 184 | 92 | 200 | 184 | 92 | 200 | 184 | 92 |
| Seattle, Wash | 320 | 294 | 92 | 320 | 290 | 91 | 320 | 290 | 91 |
| Shreveport, La | 434 | 399 | 92 | 425 | 398 | 94 | 425 | 423 | 99 |
| Sioux Falls, S. Dak | 270 | 233 | 86 | 270 | 230 | 85 | 270 | 230 | 85 |
| Spokane, Wash | 200 | 176 | 88 | 200 | 173 | 87 | 200 | 178 | 89 |
| Sunmount, N.Y | 421 | 339 | 81 | 433 | 330 | 76 | | | |
| Syracuse, N.Y | 488 | 445 | 91 | 488 | 450 | 92 | 488 | 468 | 96 |
| Temple, Tex | 800 | 729 | 91 | 800 | 720 | 90 | 800 | 720 | 90 |
| Tucson, Ariz | 393 | 299 | 76 | 402 | 290 | 72 | 402 | 360 | 90 |
| Vancouver, Wash | 501 | 439 | 88 | 441 | 405 | 92 | 501 | 450 | 90 |
| Wadsworth, Kans | 826 | 713 | 86 | 776 | 700 | 90 | 776 | 682 | 88 |
| Walla Walla, Wash | 310 | 256 | 83 | 322 | 266 | 83 | 322 | 300 | 93 |
| Washington, D.C | 335 | 307 | 92 | 425 | 350 | 82 | 650 | 585 | 90 |
| West Haven, Conn | 823 | 696 | 85 | 823 | 710 | 86 | 823 | 747 | 91 |
| West Roxbury, Mass | 297 | 248 | 84 | 300 | 250 | 83 | 304 | 266 | 88 |
| Whipple, Ariz | 304 | 258 | 85 | 304 | 253 | 83 | 325 | 297 | 91 |
| White River Junction, Vt | 188 | 159 | 85 | 188 | 152 | 81 | 188 | 152 | 81 |
| Wichita, Kans | 252 | 229 | 91 | 252 | 228 | 90 | 252 | 228 | 90 |
| Wilkes-Barre, Pa | 500 | 458 | 92 | 500 | 462 | 92 | 500 | 471 | 94 |
| Wilmington, Del | 294 | 260 | 88 | 300 | 260 | 87 | 300 | 260 | 87 |
| Wood, Wis | 1,108 | 933 | 84 | 1,108 | 940 | 85 | 1,148 | 955 | 83 |
| Total | 62,364 | 55,824 | 90 | 63,262 | 56,759 | 90 | 61,095 | 55,868 | 91 |

## LENGTH OF STAY IN VA HOSPITALS

Mr. THOMAS. Mr. Evins, before you leave the "General hospitals" I think it would help your record to have a short statement from the head of the Medical Service on this:

One of the main criticisms of the Veterans Administration in years gone by is that it is running a rest home or country club. A person spends 4 or 5 weeks in a Veterans Administration hospital and if he is paying for it in a private hospital he stays 4 or 5 days. "John Q. Public" complains that the average stay in VA hospitals is far excessive.

Dr. McNinch. Mr. Chairman, the comparison between VA hospitals and non-Federal hospitals is difficult because there is a difference in the patient load. We have more patients we take care of who remain in the hospital a long time. Our costs include all the costs of medical care; whereas, in non-Government hospitals the costs do not include all the costs of medical care.

Mr. Thomas. We are not talking about costs now. We are talking about the average time a patient stays in the hospital. You have cut that time down a little.

Dr. McNinch. We are cutting down the time by better management procedures, and by seeking to find the bottlenecks that delay the patient's leaving the hospital. By more modern equipment which makes possible diagnostic tests more rapidly, we are able to cut down on the time.

From my experience with military hospitals and non-Federal hospitals I think the Veterans Administration has an efficient service that does not let patients remain in the hospital unnecessarily, and it is moving constantly toward decreasing the length of the patient's stay so that it is comparable with other hospitals.

Mr. Driver. Mr. Chairman, you will notice in the marginal hospitals we have scheduled for closing, uniquely there is a longer term average stay in them than in other VA hospitals.

## Nursing Home Care

Mr. Evins. Nursing home care. Place in the record pages 4–88, 4–89, and 4–93.

(The pages follow:)

### Nursing Home Care

#### introduction

The estimate provides for averages of 1,645 operating beds and 1,510 beneficiary load in VA nursing homes during fiscal year 1966 which are respective increases of 1,239 and 1,160 over the planned levels in fiscal year 1965. In addition, a beneficiary load of 4,560 is contemplated in non-VA nursing homes during fiscal year 1966 which represents an increase of 3,648 from fiscal year 1965.

To implement the above increases, a request for 893 additional staff is included in the estimate to provide direct care and treatment for the 1,160 increased beneficiaries in the VA nursing homes.

The following table identifies costs, employment, and workloads for the past, current, and budget years.

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| VA nursing homes | | $1,913,000 | $8,670,000 | +$6,757,000 |
| Community nursing homes | | | 8,000,000 | +8,000,000 |
| State homes | | 1,097,000 | 2,250,000 | +1,153,000 |
| Total | | 3,010,000 | 18,920,000 | +15,910,000 |
| Employment, full-time equivalent: VA nursing home care | | 267 | 1,160 | +893 |
| Average daily beneficiary load: | | | | |
| VA nursing homes | | 350 | 1,510 | +1,160 |
| Community nursing homes | | | 2,740 | +2,740 |
| State homes | | 912 | 1,820 | +908 |
| Total | | 1,262 | 6,070 | +4,808 |
| Average operating beds: VA nursing homes | | 406 | 1,645 | +1,239 |

*Comparative analysis of employment and costs by object*

| Cost by subobject | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost | Full-time equivalent employees | Total cost |
| 10 Personal services and benefits: | | | | | | | | | |
| Nurses | | | | 35 | $284,000 | 151 | $1,290,000 | +116 | +$1,006,000 |
| Dentists | | | | 2 | 34,000 | 5 | 88,000 | +3 | +54,000 |
| Physicians | | | | 18 | 293,000 | 40 | 676,000 | +22 | +383,000 |
| Wage rate employees | | | | 54 | 285,000 | 230 | 1,190,000 | +176 | +905,000 |
| Other personnel | | | | 158 | 860,000 | 734 | 4,735,000 | +576 | +3,875,000 |
| Employee compensation payments | | | | | | | 14,000 | | +14,000 |
| Subtotal | | | | 267 | 1,756,000 | 1,160 | 7,993,000 | +893 | +6,237,000 |
| 21 Travel (employee) | Employee | | | *Unit cost* | | *Unit cost* $1.72 | 2,000 | *Unit cost* +$1.72 | +2,000 |
| 25 Other contractual services: | | | | | | | | | |
| Community nursing homes | Average daily nursing load. | | | | | 8.00 | 8,000,000 | +8.00 | +8,000,000 |
| Other medical services | do | | | $20.00 | 7,000 | 19.86 | 30,000 | −.14 | +23,000 |
| Subtotal | | | | | 7,000 | | 8,030,000 | | +8,023,000 |
| 26 Supplies and materials: | | | | | | | | | |
| Provisions | Average daily nursing load. | | | 328.57 | 115,000 | 328.48 | 496,000 | −.09 | +381,000 |
| Drugs and medicines | do | | | 48.57 | 17,000 | 48.34 | 73,000 | −.23 | +56,000 |
| Medical and dental supplies | do | | | 25.71 | 9,000 | 26.49 | 40,000 | +.78 | +31,000 |
| Operating supplies | Operating beds | | | 9.85 | 4,000 | 12.16 | 20,00 | +2.31 | +16,000 |
| Maintenance and repair supplies | do | | | 4.93 | 2,000 | 4.26 | 7,000 | −.67 | +5,000 |
| Linens | Average daily nursing load. | | | 5.71 | 2,000 | 3.97 | 6,000 | −1.74 | +4,000 |
| Office supplies | Employee | | | 3.75 | 1,000 | 2.59 | 3,000 | −1.16 | +2,000 |
| Subtotal | | | | | 150,000 | | 645,000 | | +495,000 |
| 41 Grants (State homes) | Average daily nursing load. | | | 1,202.85 | 1,097,000 | 1,236.26 | 2,250,000 | +33.41 | +1,153,000 |
| Total gross costs | | | | | 3,010,000 | | 18,920,000 | | +15,910,000 |

*Distribution of patient load and beds by station*

| Station | Actual, 1964 average [1] | Estimated, 1965 average | | | Estimated, 1966 average | | |
|---|---|---|---|---|---|---|---|
| | | Operating beds | Average daily nursing load | Percent utilized | Operating beds | Average daily nursing load | Percent utilized |
| Alexandria, La | | 21 | 18 | 86 | 60 | 55 | 92 |
| Beckley, W. Va | | 14 | 12 | 86 | 42 | 38 | 90 |
| Biloxi, Miss | | 18 | 15 | 83 | 48 | 44 | 92 |
| Bonham, Tex | | 15 | 13 | 87 | 38 | 35 | 92 |
| Buffalo, N.Y | | 15 | 13 | 87 | 36 | 33 | 92 |
| Butler, Pa | | 22 | 19 | 86 | 64 | 59 | 92 |
| Cincinnati, Ohio | | 13 | 11 | 85 | 73 | 67 | 92 |
| Dayton, Ohio | | 21 | 18 | 86 | 84 | 77 | 92 |
| Dearborn, Mich | | 15 | 13 | 87 | 36 | 33 | 92 |
| Dublin, Ga | | 27 | 23 | 85 | 56 | 52 | 93 |
| Fargo, N. Dak | | 24 | 22 | 92 | 24 | 22 | 92 |
| Houston, Tex | | 24 | 20 | 83 | 78 | 75 | 96 |
| Indianapolis, Ind | | 21 | 18 | 86 | 46 | 42 | 91 |
| Lebanon, Pa | | 14 | 12 | 86 | 37 | 34 | 92 |
| Livermore, Calif | | 15 | 13 | 87 | 36 | 33 | 92 |
| Los Angeles, Calif | | 34 | 29 | 85 | 71 | 65 | 92 |
| Mountain Home, Tenn | | 28 | 24 | 86 | 56 | 52 | 93 |
| Poplar Bluff, Mo | | 21 | 18 | 86 | 49 | 45 | 92 |
| Reno, Nev | | 22 | 20 | 91 | 22 | 20 | 91 |
| Wadsworth, Kans | | 22 | 19 | 86 | 45 | 41 | 91 |
| Subtotal | | 406 | 350 | 86 | 1,001 | 922 | 92 |
| Unselected | | | | | 644 | 588 | 91 |
| Total | | 406 | 350 | 86 | 1,645 | 1,510 | 92 |

[1] Program not in existence in fiscal year 1964.

Mr. EVINS. (reading):

The estimate provides for averages of 1,645 operating beds and 1,510 beneficiary load in VA nursing homes during fiscal year 1966 which are respective increases of 1,239 and 1,160 over the planned levels in fiscal year 1965. In addition, a beneficiary load of 4,560 is contemplated in non-VA nursing homes during fiscal year 1966 which represents an increase of 3,648 from fiscal year 1965.

How many nursing home beds has the Veterans Administration implemented as a result of the $6 million appropriation last year?

Mr. DRIVER. We will have 1,000 in operation in the next few months.

Mr. EVINS. What limitation were you given?

Mr. DRIVER. 4,000.

Mr. EVINS. Are all these in existing VA hospitals?

Mr. DRIVER. Yes.

Mr. EVINS. You will have how many additional in fiscal year 1966?

Mr. DRIVER. We expect to have another thousand in fiscal year 1966.

Mr. EVINS. How much did this 1,000, you have implemented, cost of the $6 million appropriated?

Mr. MONK. About $2.5 million. They are roughly running $2,500 per bed.

Mr. EVINS. So you have a carryover of $3.5 million?

Mr. DRIVER. We propose to go ahead with the rest as soon as we can.

Mr. EVINS. You only implemented 1,000 the first year.

Mr. DRIVER. We plowed the ground the first year and the second and third years should be much easier.

NON-VA NURSING HOME CARE

Mr. EVINS. On page 4–95 there is a chart on non-VA nursing home care showing comparative workload, total, and per diem costs. Insert this page in the record.

(The page follows:)

NON-VA NURSING HOME CARE

*Comparative workload, total, and per-diem costs*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| (a) Average daily nursing load: | | | | |
| Community nursing homes | | | 2,740 | +2,740 |
| State homes | | 912 | 1,820 | +908 |
| Total average daily nursing load | | 912 | 4,560 | +3,648 |
| (b) Total cost: | | | | |
| Community nursing homes | | | $8,000,000 | +$8,000,000 |
| State homes | | $1,097,000 | 2,250,000 | +1,153,000 |
| Total cost | | 1,097,000 | 10,250,000 | +9,153,000 |
| (c) Cost per day: | | | | |
| Community nursing homes | | | 8.00 | +8.00 |
| State homes | | 3.30 | 3.40 | +.10 |

Mr. EVINS. "State homes" in 1965 you had 912 and in 1966 you estimate you will have 1,820, an increase of 908, average daily nursing load.

You show a total average daily nursing load in 1966 of 4,560. You do not really expect to activate 4,560 in 1966?

Mr. DRIVER. We buy the services outside the Veterans Administration.

Mr. EVINS. These are purchased outside?

Mr. DRIVER. Yes, sir.

Mr. EVINS. And you will have 2,000 in the VA and 4,000 contracted outside?

Mr. DRIVER. Right.

Mr. EVINS. And you expect to have that number of beds operating in 1966?

Mr. DRIVER. Yes, sir; plus the 2,000 in the Veterans Administration.

Mr. EVINS. That is your planned program for 1966?

Mr. DRIVER. Adding the 2,000 in the Veterans Administration we are planning for 6,560 operating hospital beds in fiscal year 1966.

Mr. EVINS. The cost per day in community nursing homes is $8. You will not use many community nursing homes, then?

Mr. DRIVER. There are a good many places in the country where this will provide the services, Mr. Chairman.

Mr. EVINS. What is the cost of the 2,000 beds in the Veterans Administration?

Mr. MONK. Our total cost, as shown on page 4–91, is $15.73 which includes the auxiliary costs. The direct cost is $14.23.

Mr. THOMAS. This 4,560 will go down and pressure will be put on not for 2,000 in the Veterans Administration but for 40,000 or 50,000 beds.

Mr. DRIVER. Those requiring more intensive care will be in VA hospitals and those that require less will be out. You will not buy care for $8 where they need supervision. It means those that require simple care in the nursing homes would be those you could pay for outside.

Mr. THOMAS. That sound reasonable. If he is real sick you will have him in your own hospital.

Dr. MCNINCH. Nursing home patients are those that require very little care, whereas those in VA hospitals require 24-hour care.

Mr. THOMAS. These are ambulatory cases. What are you doing with the real sick ones now, keeping them in VA hospitals?

Mr. DRIVER. In bed, yes, sir.

Mr. EVINS. As the veterans get older they want more care and attention and less hospitalization.

Mr. DRIVER. There is no doubt about it.

The pension law raised the so-called nursing home pensioner to $200 a month, which will enable him to buy care.

Mr. EVINS. Outside?

Mr. DRIVER. Yes, sir.

### COST OF HOSPITAL CARE

Mr. MONK. When we start putting more active patients in, the per diem cost for those remaining in will go up, while we will be taking care of the nursing home patients at a lesser cost.

Mr. THOMAS. The cost now is $31.90. Can you get higher than that?

Mr. MONK. Yes. In the private hospitals it is higher.

Mr. THOMAS. In the last few years you have gone from $18 to $32. That is a big increase.

Mr. MONK. Yes.

Mr. THOMAS. Why is it going up?

Mr. DRIVER. You will put sick people in the beds occupied by chronic cases now.

Dr. MCNINCH. A lot of things have come up in medicine that are very costly.

Mr. THOMAS. Yes. I remember we were paying $1,000 for 1,000 pills 1 week and the next week it went down to 35 cents.

Mr. EVINS. 65 cents.

Mr. THOMAS. Off the record.

(Discussion off the record.)

### DOMICILIARY CARE

Mr. EVINS. Let us take a look at "Domiciliary care."

You show the number of operating beds is decreasing due to the closure of VA domiciliaries at Bath, N.Y., Clinton, Iowa, Thomasville, Ga., and White City, Oreg. Then in the next paragraph you show there was an increase in your waiting list.

Place in the record pages 4–96, 4–97, 4–98, 4–99 and 4–102.

(The pages follow:)

## Domiciliary Care

### INTRODUCTION

The estimate provides for averages of 14,053 operating beds and 13,993 member load in VA domiciliaries during fiscal year 1966, which are decreases of 2,387 operating beds and of 1,248 member load. These adjustments are due to the closure of VA domiciliaries at Bath, N.Y., Clinton, Iowa, Thomasville, Ga., and White City, Oreg.

Pilot projects are in process to study the operation of restoration centers as part of the VA domiciliary program. Special restorative training will be afforded certain former hospital patients that have received maximum hospitalization benefits to fit them for more purposeful and independent living. The restoration center program will emphasize restoration and outplacement of disabled veterans, and serve to make more hospital beds available for those in need of hospitalization.

An increase in domiciliary waiting lists was experienced in fiscal year 1964. The number of eligible applicants not scheduled for admission at the end of each month for both the 1963 and 1964 fiscal years is shown below:

| Month | Fiscal year 1963 | Fiscal year 1964 | Month | Fiscal year 1963 | Fiscal year 1964 |
|---|---|---|---|---|---|
| July | 143 | 403 | January | 594 | 922 |
| August | 239 | 591 | February | 471 | 919 |
| September | 501 | 833 | March | 454 | 787 |
| October | 506 | 817 | April | 305 | 452 |
| November | 528 | 720 | May | 169 | 290 |
| December | 561 | 797 | June | 247 | 269 |

The following table shows comparative total employment and workload data for fiscal years 1964, 1965, and 1966:

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Average full-time employee employment | 3,226 | 3,282 | 2,826 | −456 |
| Number of domiciliaries | 20 | 20 | 16 | −4 |
| Average operating beds | 16,518 | 16,440 | 14,053 | −2,387 |
| Average daily member load: | | | | |
| Members | 15,229 | 15,041 | 13,711 | −1,330 |
| Restorees | 101 | 200 | 282 | +82 |
| Total | 15,330 | 15,241 | 13,993 | −1,248 |
| Ratio of employment to operating beds | .195 | .200 | .201 | +.001 |
| Ratio of employees to average daily member load | .210 | .215 | .202 | −.013 |

*Comparative analysis of employment and costs by object*

| | | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost |
| 10 | Personal services and benefits: | | | | | | | | | |
| | Consultants and attendants | | 8 | $89,916 | 8 | $90,000 | 6 | $66,000 | −2 | −$24,000 |
| | Nurses | | 79 | 646,368 | 83 | 680,000 | 69 | 564,000 | −14 | −116,000 |
| | Dentists | | 38 | 623,445 | 38 | 640,000 | 32 | 539,000 | −6 | −101,000 |
| | Physicians | | 78 | 1,261,267 | 82 | 1,315,000 | 68 | 1,090,000 | −14 | −225,000 |
| | Clinical and counseling psychologists | | 25 | 279,580 | 25 | 299,000 | 24 | 288,000 | −1 | −11,000 |
| | Wage rate employees | | 1,798 | 9,322,375 | 1,798 | 9,440,000 | 1,550 | 7,882,000 | −248 | −1,558,000 |
| | Purchase and hire | | 6 | 40,713 | 6 | 41,000 | 4 | 26,000 | −2 | −15,000 |
| | Other personnel | | 1,194 | 8,298,670 | 1,242 | 8,502,000 | 1,073 | 7,089,000 | −169 | −1,413,000 |
| | Employee compensation payments | | | 19,000 | | 36,000 | | 39,000 | | +3,000 |
| | Subtotal | | 3,226 | 20,581,334 | 3,282 | 21,043,000 | 2,826 | 17,583,000 | −456 | −3,460,000 |
| | | | *Unit cost* | | *Unit cost* | | *Unit cost* | | *Unit cost* | |
| 21 | Travel: | | | | | | | | | |
| | Employee travel | Employee | $3.77 | 12,156 | $3.35 | 11,000 | $3.54 | 10,000 | +$.19 | −1,000 |
| | Other travel | Average daily member load. | .91 | 13,893 | .92 | 14,000 | .57 | 8,000 | −.35 | −6,000 |
| | Subtotal | | | 26,049 | | 25,000 | | 18,000 | | −7,000 |
| 22 | Transportation of things | Average daily member load. | 3.32 | 50,856 | 3.35 | 51,000 | 2.72 | 38,000 | −.63 | −13,000 |
| 23 | Rent, communications, and utility services: | | | | | | | | | |
| | Communications | Operating beds | 6.34 | 104,704 | 6.39 | 105,000 | 6.26 | 88,000 | −.13 | −17,000 |
| | Rent, motion picture film | Average daily member load. | 7.14 | 109,509 | 7.22 | 110,000 | 7.86 | 110,000 | +.64 | |
| | Utility services | Operating beds | 34.88 | 576,202 | 36.50 | 600,000 | 39.71 | 558,000 | +3.21 | −42,000 |
| | Rental of medical and other equipment | Average daily member load. | .53 | 8,138 | .72 | 11,000 | .50 | 7,000 | −.22 | −4,000 |
| | Subtotal | | | 798,553 | | 826,000 | | 763,000 | | −63,000 |
| 24 | Printing and reproduction | Average daily member load. | 1.14 | 17,467 | 1.38 | 21,000 | .93 | 13,000 | −.45 | −8,000 |

*Comparative analysis of employment and costs by object*—Continued

| | Base factor | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|---|
| | | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost |
| 25 Other contractual services: | | | | | | | | | |
| Laundry services | do | 9.18 | 140,725 | 11.35 | 173,000 | 4.14 | 58,000 | −7.21 | −115,000 |
| Medical nursing and dental fees | do | .96 | 14,709 | .98 | 15,000 | .71 | 10,000 | −.27 | −5,000 |
| Compensated therapy | do | 98.00 | 1,502,343 | 106.36 | 1,621,000 | 90.90 | 1,272,000 | −15.46 | −349,000 |
| Repair furniture and equipment | Operating beds | 3.75 | 61,959 | 4.08 | 67,000 | 4.06 | 57,000 | −.02 | −10,000 |
| Maintenance and repair services | do | 16.15 | 266,815 | 34.06 | 560,000 | 31.31 | 440,000 | −2.75 | −120,000 |
| Data processing services | Employee | | | | | 16.98 | 48,000 | +16.98 | +48,000 |
| Other medical services | Average daily member load. | 8.34 | 127,914 | 9.32 | 142,000 | 8.93 | 125,000 | −.39 | −17,000 |
| Subtotal | | | 2,114,465 | | 2,578,000 | | 2,010,000 | | −568,000 |
| 26 Supplies and materials: | | | | | | | | | |
| Provisions | Average daily member load. | 280.86 | 4,305,576 | 284.69 | 4,339,000 | 283.07 | 3,961,000 | −1.62 | −378,000 |
| Drugs and medicines | do | 34.56 | 529,796 | 38.51 | 587,000 | 39.73 | 556,000 | +1.22 | −31,000 |
| Blood and blood products | do | .12 | 1,790 | .13 | 2,000 | .14 | 2,000 | +.01 | |
| Medical and dental supplies | do | 14.67 | 224,905 | 15.16 | 231,000 | 12.72 | 178,000 | −2.44 | −53,000 |
| Fuels | Operating beds | 29.64 | 489,535 | 30.23 | 497,000 | 23.13 | 325,000 | −7.10 | −172,000 |
| Operating supplies | do | 40.36 | 666,631 | 40.88 | 672,000 | 40.85 | 574,000 | −.03 | −98,000 |
| Maintenance and repair supplies | do | 42.17 | 696,604 | 40.63 | 668,000 | 41.34 | 581,000 | +.71 | −87,000 |
| Linens | Average daily member load. | 8.23 | 126,114 | 8.60 | 131,000 | 7.86 | 110,000 | −.74 | −21,000 |
| Office supplies | Employee | 10.18 | 32,835 | 10.06 | 33,000 | 8.49 | 24,000 | −1.57 | −9,000 |
| Other medical supplies | Average daily member load. | 2.42 | 37,052 | 2.56 | 39,000 | 2.29 | 32,000 | −.27 | −7,000 |
| Subtotal | | | 7,110,838 | | 7,199,000 | | 6,343,000 | | −856,000 |
| 31 Equipment: | | | | | | | | | |
| Passenger vehicles | (Replacement, criteria) | | 2,349 | | | | | | |
| Nonpassenger vehicles | do | | 4,439 | | | | | | |
| Furniture and fixtures | Operating beds | 24.71 | 408,106 | 19.34 | 318,000 | 23.20 | 326,000 | +3.86 | +8,000 |
| Medical, dental and scientific equipment | do | 6.09 | 100,526 | 11.56 | 190,000 | 13.80 | 194,000 | +2.24 | +4,000 |
| Utilities and other operations | do | 7.84 | 129,484 | 5.05 | 83,000 | 6.05 | 85,000 | +1.00 | +2,000 |
| Subtotal | | | 644,904 | | 591,000 | | 605,000 | | +14,000 |
| 32 Lands and structures | Operating beds | 8.11 | 133,999 | 7.18 | 118,000 | 47.75 | 671,000 | +40.57 | +553,000 |
| Total gross costs | | | 31,478,465 | | 32,452,000 | | 28,044,000 | | −4,408,000 |
| Less quarters, subsistence, and laundry | | | 160,361 | | 164,000 | | 146,000 | | −18,000 |
| Net costs | | | 31,318,104 | | 32,288,000 | | 27,898,000 | | −4,390,000 |

*Detail of employment and cost changes, 1966 over 1965*

| Items | Employment | Cost |
|---|---|---|
| Decreases: | | |
| Reduction in number of beneficiary load, including closures of 11 hospitals and 4 domiciliaries and implementation of Public Law 88-450 | 721 | $7,653,000 |
| Q.S & L. salary deductions due to increased employment, and adjustment of rental rates | | 2,000 |
| Exclusion of fiscal year 1965 wage board costs from fiscal year 1966 column of the estimate | | 161,000 |
| Decrease for management improvement actions, etc | 4 | 27,000 |
| Decrease in maintenance and repair needs | | 21,000 |
| Total decreases | 725 | 7,864,000 |
| Increases: | | |
| Public Law 88-426 salary rate and within-grade increases | | 108,000 |
| Increase in number and composition of beneficiary load including activation of new hospitals and implementation of Public Laws 88-450 and 88-664 | 239 | 2,529,000 |
| Initial and expanded medical services in existing facilities | 3 | 18,000 |
| Increased usage of utilities, communications, drugs, medicines, linens, new prosthetic appliances including repairs and medical supplies | | 83,000 |
| Increased reimbursement to Department of Labor for payment of benefits from employees' compensation fund | | 3,000 |
| Increases in object 31 equipment requirements | | 14,000 |
| Increase in object 32 building service equipment requirements | | 553,000 |
| Reimbursement to Department of Data Management for data processing services | | 48,000 |
| Staffing deficiencies in existing programs | 27 | 118,000 |
| Total increases | 269 | 3,474,000 |
| Net changes | −456 | −4,390,000 |

*Distribution of member loads and beds by domiciliary*

| | Actual 1964 average | | | Estimated 1965 average | | | Estimated 1966 average | | |
|---|---|---|---|---|---|---|---|---|---|
| | Operating beds | Average daily member load | Percent utilized | Operating beds | Average daily member load | Percent utilized | Operating beds | Average daily member load | Percent utilized |
| Bath, N.Y. | 821 | 747 | 91 | 800 | 740 | 93 | | | |
| Bay Pines, Fla. | 400 | 371 | 93 | 400 | 370 | 93 | 436 | 421 | 97 |
| Biloxi, Miss. | 818 | 720 | 88 | 745 | 700 | 94 | 790 | 790 | 100 |
| Bonham, Tex. | 327 | 324 | 99 | 305 | 300 | 98 | 347 | 347 | 100 |
| Clinton, Iowa | 565 | 574 | 102 | 565 | 560 | 99 | | | |
| Dayton, Ohio | 1,600 | 1,535 | 96 | 1,530 | 1,480 | 97 | 1,662 | 1,662 | 100 |
| Dublin, Ga. | 483 | 462 | 96 | 400 | 380 | 95 | 438 | 438 | 100 |
| East Orange, N.J. | 15 | | | 199 | 98 | 49 | 199 | 180 | 90 |
| Hines, Ill. | 120 | 101 | 84 | 120 | 102 | 85 | 120 | 102 | 85 |
| Hot Springs, S. Dak. | 548 | 499 | 91 | 548 | 500 | 91 | 548 | 540 | 99 |
| Kecoughton, Va. | 1,203 | 1,099 | 91 | 1,203 | 1,113 | 93 | 1,258 | 1,258 | 100 |
| Los Angeles, Calif. | 2,561 | 2,419 | 94 | 2,550 | 2,420 | 95 | 2,723 | 27,23 | 100 |
| Martinsburg, W. Va. | 500 | 479 | 96 | 500 | 485 | 97 | 546 | 546 | 100 |
| Mountain Home, Tenn. | 1,771 | 1,604 | 91 | 1,771 | 1,641 | 93 | 1,843 | 1,843 | 100 |
| Temple, Tex. | 392 | 381 | 97 | 392 | 380 | 97 | 457 | 457 | 100 |
| Thomasville, Ga. | 798 | 772 | 97 | 800 | 750 | 94 | | | |
| Wadsworth, Kans. | 1,000 | 927 | 93 | 1,000 | 930 | 93 | 1,046 | 1,046 | 100 |
| Whipple, Ariz. | 159 | 160 | 101 | 159 | 157 | 99 | 188 | 188 | 100 |
| White City, Oreg. | 1,025 | 955 | 93 | 1,025 | 940 | 92 | | | |
| Wood, Wis. | 1,412 | 1,201 | 85 | 1,428 | 1,195 | 84 | 1,452 | 1,452 | 100 |
| Total | 16,518 | 15,330 | 93 | 16,440 | 15,241 | 93 | 14,053 | 13,993 | 100 |

## CONTRACT HOSPITALIZATION

Mr. EVINS. We turn now to "Contract hospitalization." We discussed this at some length.

Mr. DRIVER. Yes, sir.

Mr. EVINS. Insert pages 4–104, 4–105, and 4–106.

(The pages follow:)

### CONTRACT HOSPITALIZATION

#### INTRODUCTION

Hospitalization of VA beneficiaries in other Federal hospitals is provided for either service-connected or non-service-connected conditions to insure coverage in areas where VA facilities are not available.

Hospitalization of VA beneficiaries in non-Federal hospitals in the United States (including Alaska and Hawaii) is restricted to male veterans requiring hospitalization for service-connected conditions, female veterans in need of hospitalization for treatment of either service- or non-service-connected conditions, and those veterans requiring hospitalization to prevent interruption of training authorized under provisions of 38 U.S.C. 1506. Non-Fdereal hospitals may be utilized for the care and treatment of the aforementioned persons when suitable facilities are not feasibly available in VA hospitals; e.g.:

(*a*) When beds in VA hospitals are insufficient to meet the demand for hospitalization of certain types of patients—i.e., primarily those suffering from mental disorders—or where Federal hospital facilities are extremely limited or nonexistent.

(*b*) To provide hospitalization in medically emergent cases when immediate transfer to a VA hospital would be hazardous.

(*c*) To provide hospitalization for female beneficiaries for whom appropriate facilities are not available in Federal hospitals.

Per diem reimbursement rates for care rendered by other Federal hospitals are established and/or approved annually by the Bureau of the Budget. The cost of hospitalization in non-Federal hospitals is based generally on per diem rates established under contracts between the VA and the various hospitals concerned plus charges for additional services such as special duty nursing care, surgical fees, consultants, special medical services, etc. This latter arrangement is exemplified by the $39.92 per diem rate for the 14 medical and surgical average patient load in municipal and State hospitals where the higher cost is incurred for special medical services which cannot be provided by VA hospitals in the immediate area.

Patient load and cost estimates for Federal hospitals are based on actual utilization rather than bed allocation agreements with the agencies concerned. The VA, however, will provide reimbursable support for patient loads up to the full number of beds allocated, where demand exists.

*Comparative summary of costs and ADPL*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Cost: | | | | |
| Non-Federal hospitals | $7,393,248 | $7,438,000 | $7,438,000 | ---------- |
| Federal hospitals | 8,891,856 | 9,683,000 | 9,467,000 | −$216,000 |
| Total | 16,285,104 | 17,121,000 | 16,905,000 | −216,000 |
| Average daily patient load: | | | | |
| Non-Federal hospitals | 1,310 | 1,310 | 1,310 | ---------- |
| Federal hospitals | 1,412 | 1,403 | 1,333 | −70 |
| Total | 2,722 | 2,713 | 2,643 | −70 |

Of the total contract hospitalization load of 2,713 and 2,643 estimated for fiscal years 1965 and 1966, respectively, it is estimated that approximately 63 percent will be hospitalized in the 50 States and 37 percent in Manila and Puerto Rico.

The Veterans' Memorial Hospital at Manila has a planned ADPL and per diem cost of 215 and $6.68 respectively for both fiscal years 1965 and 1966. The Puerto Rico hospital will maintain an 800 ADPL and a $13.42 per diem cost for both fiscal years 1965 and 1966.

*Comparative Federal bed allocations and average daily patient load*

| | 1964 | | 1965 | | 1966 | |
|---|---|---|---|---|---|---|
| | Bed allocation | Actual ADPL | Bed allocation | Estimated ADPL | Bed allocation | Estimated ADPL |
| U.S. Army: | | | | | | |
| Brooke, Fort Sam Houston, Tex | 125 | 124 | 120 | 116 | 117 | 117 |
| Fort Wainwright, Alaska | 5 | 4 | 5 | 4 | 5 | 4 |
| Tripler, Honolulu, Hawaii | 85 | 60 | 75 | 71 | 70 | 70 |
| Walter Reed, Washington, D.C | 5 | 4 | 5 | 4 | 6 | 4 |
| William Beaumont, El Paso, Tex | 20 | 16 | 20 | 17 | 20 | 17 |
| Total | 240 | 208 | 225 | 212 | 218 | 212 |
| U.S. Air Force: | | | | | | |
| Elmedorf, Air Force Base, Alaska | 20 | 16 | 20 | 16 | 20 | 17 |
| Minot, N. Dak | 45 | 26 | 35 | 29 | 28 | 28 |
| Orlando, Fla | 10 | 5 | 8 | 5 | 8 | 5 |
| Total | 75 | 47 | 63 | 50 | 56 | 50 |
| U.S. Navy: | | | | | | |
| Beaufort, S.C | 6 | 4 | 5 | 4 | 5 | 4 |
| Bethesda, Md | 8 | 7 | 10 | 8 | 7 | 6 |
| Charleston, S.C | 20 | 18 | 20 | 18 | 20 | 18 |
| Corpus Christi, Tex | 30 | 24 | 30 | 26 | 25 | 24 |
| Guam | 3 | 1 | 1 | 1 | 4 | 2 |
| Jacksonville, Fla | 20 | 19 | 25 | 22 | 25 | 22 |
| Key West, Fla | 5 | 2 | 5 | 2 | 5 | 2 |
| Pensacola, Fla | 15 | 11 | 15 | 13 | 15 | 13 |
| Philadelphia, Pa | 150 | 150 | 160 | 158 | 175 | 159 |
| San Diego, Calif | 115 | 115 | 125 | 123 | 135 | 125 |
| Total | 372 | 351 | 396 | 375 | 416 | 375 |
| Department of Health, Education, and Welfare: | | | | | | |
| Alaska | 10 | 10 | 10 | 10 | 10 | 10 |
| Savannah, Ga | 20 | 18 | 20 | 20 | 20 | 20 |
| Fort Worth, Tex | 215 | 215 | 175 | 175 | 175 | 175 |
| St. Elizabeths, Washington, D.C | 350 | 348 | 340 | 340 | 300 | 270 |
| Total | 595 | 591 | 545 | 545 | 505 | 475 |
| Panama Canal Zone | 8 | 5 | 7 | 6 | 6 | 6 |
| Manila, P.I. (Veterans' Memorial) | 230 | 210 | 230 | 215 | 230 | 215 |
| Grand total | 1,520 | 1,412 | 1,466 | 1,403 | 1,431 | 1,333 |

## State Homes

Mr. Evins. On State homes, insert pages 4–109 and 4–110. You have an appropriation of $5 million requested in the budget for grants to States for construction of State nursing homes but that is under "Construction" which we will get to later.

(The pages follow:)

## State Homes

### INTRODUCTION

The estimate provides for an average daily member load of 7,530 in State homes for fiscal year 1966, which is a decrease of 908 from fiscal year 1965. Section 3 of Public Law 88–450 provides for the first time nursing home care to eligible veterans residing in State homes. It is estimated that approximately 20 percent of State home members will qualify to be classified within the nursing care category. Since section 3 of Public Law 88–450 became effective January 1, 1965, this estimate reflects one-half of the member load decrease in fiscal year 1965 and the other half in fiscal year 1966. Offsetting workload increases for both fiscal years appear in the nursing home care subdivision of this submission.

*Comparison of total and unit costs and average daily member load*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Total costs | $7,581,703 | $7,162,000 | $6,593,000 | −$569,000 |
| Average daily member load | 9,346 | 8,438 | 7,530 | −908 |
| Cost per member day | $2.22 | $2.33 | $2.40 | +$0.07 |

Comparative average daily member loads since fiscal year 1955 are as follows:

| Fiscal year: | *ADML* | Fiscal year—Continued | *ADML* |
|---|---|---|---|
| 1955 | 8,802 | 1961 | 9,385 |
| 1956 | 8,739 | 1962 | 9,062 |
| 1957 | 8,938 | 1963 | 9,161 |
| 1958 | 9,318 | 1964 | 9,346 |
| 1959 | 9,678 | 1965 (estimated) | 8,438 |
| 1960 | 9,418 | 1966 (estimated) | 7,530 |

Member loads actually experienced in fiscal year 1964 are indicated in the table below:

*Distribution of fiscal year 1964 average daily member load by State home*

| State home: | *ADML* | State home—Continued | *ADML* |
|---|---|---|---|
| Napa County, Calif | 1,747 | Vineland, N.J | 147 |
| Homelake, Colo | 83 | Oxford, N.Y | 18 |
| Rocky Hill, Conn | 678 | Lisbon, N. Dak | 96 |
| Milledgeville, Ga | 278 | Erie County, Ohio | 659 |
| Boise, Idaho | 104 | Ardmore, Okla | 196 |
| Quincy, Ill | 552 | Norman, Okla | 208 |
| Lafayette, Ind | 247 | Sulphur, Okla | 183 |
| Marshalltown, Iowa | 332 | Erie, Pa | 178 |
| Fort Dodge, Kans | 93 | Bristol, R.I | 249 |
| Chelsea, Mass | 649 | Hot Springs, S. Dak | 136 |
| Holyoke, Mass | 188 | Bennington, Vt | 52 |
| Grand Rapids, Mich | 724 | Orting, Wash | 157 |
| Minneapolis, Minn | 403 | Retsil, Wash | 231 |
| St. James, Mo | 77 | King, Wisc | 296 |
| Columbia Falls, Mont | 60 | Buffalo, Wyo | 15 |
| Grand Island, Nebr | 193 | | |
| Tilton, N.H | 41 | Total ADML | 9,346 |
| Menlo Park, N.J | 76 | | |

## Outpatient Care

Page 4–111, "Oupatient care." This is one of your increasing medical services to the veteran in this field, is it not?

Mr. Driver. Yes.

Mr. Evins. Insert pages 4–111, 4–112, and 4–116.

(The pages follow:)

### Outpatient Care

#### Introduction

The estimate reflects 6,109,100 medical visits and 98,330 dental completed cases to VA outpatient clinics and hometown physicians and dentists in fiscal year 1966. The estimate represents a net increase of 41,500 medical visits and 3,500 completed dental cases over the fiscal year 1965 level. The activation of two day care centers and two mental hygiene clinics; increased pension examinations; newly enacted legislation, Public Law 88–450 and Public Law 88–664; and increased visits because of the aging veteran population are the major causes for the increased workload. These increases are partially offset by reduced workload resulting from the closure of 11 VA hospitals.

The estimate projects a net decrease of 50 average employment. Increased employment is planned for new and expanded medical services and new legislation, Public Law 88–664, and is offset by employment reductions resulting from management improvement savings, transfers to Department of Data Management, and closure of VA hospitals.

The following table shows workload and employment comparisons for fiscal years 1964, 1965, and 1966:

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Employment (average full-time equivalent) | 11,213 | 11,278 | 11,228 | −50 |
| Workloads: | | | | |
| Medical visits: | | | | |
| Staff | 4,945,717 | 4,839,400 | 4,880,900 | +41,500 |
| Fee | 1,232,916 | 1,228,200 | 1,228,200 | |
| Total | 6,178,633 | 6,067,600 | 6,109,100 | +41,500 |
| Dental examination cases completed: | | | | |
| Staff | 39,088 | 39,088 | 40,588 | +1,500 |
| Fee | 4,011 | 3,996 | 4,196 | +200 |
| Total | 43,099 | 43,084 | 44,784 | +1,700 |
| Dental treatment cases completed: | | | | |
| Staff | 44,690 | 44,690 | 46,390 | +1,700 |
| Fee | 7,084 | 7,056 | 7,156 | +100 |
| Total | 51,774 | 51,746 | 53,546 | +1,800 |

*Comparative analysis of employment and costs by object*

| Cost by object | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|
| | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost |
| 10 Personal services and benefits: | | | | | | | | |
| Consulting and attendings | 213 | $1,798,171 | 213 | $1,798,000 | 213 | $1,798,000 | | |
| Nurses | 254 | 2,374,680 | 254 | 2,475,000 | 249 | 2,447,000 | −5 | −$28,000 |
| Dentists | 173 | 2,854,531 | 173 | 2,943,000 | 171 | 2,925,000 | −2 | −18,000 |
| Physicians | 1,397 | 22,789,450 | 1,417 | 23,553,000 | 1,435 | 23,784,000 | +18 | +231,000 |
| Clinic and consulting psychologist | 177 | 2,193,303 | 182 | 2,316,000 | 187 | 2,368,000 | +5 | +52,000 |
| Wage rate employee | 372 | 2,013,057 | 372 | 2,066,000 | 361 | 1,988,000 | −11 | −78,000 |
| Purchase and hire | | 357 | | | | | | |
| Other personnel | 8,627 | 53,136,110 | 8,667 | 54,696,000 | 8,612 | 54,464,000 | −55 | −232,000 |
| Employee compensation payments | | 52,000 | | 109,000 | | 135,000 | | +26,000 |
| Subtotal | 11,213 | 87,211,659 | 11,278 | 89,956,000 | 11,228 | 89,909,000 | −50 | −47,000 |
| 21 Travel: | | | | | | | | |
| Employee | | 331,376 | | 331,000 | | 331,000 | | |
| Other travel | | 78,166 | | 78,000 | | 76,000 | | −2,000 |
| Subtotal | | 409,542 | | 409,000 | | 407,000 | | −2,000 |
| 22 Transportation of things: | | | | | | | | |
| Other transportation | | 304,832 | | 305,000 | | 300,000 | | −5,000 |
| 23 Rent, communications, and utility services: | | | | | | | | |
| Communications | | 799,045 | | 834,000 | | 834,000 | | |
| Utility services | | 239,450 | | 246,000 | | 290,000 | | +44,000 |
| Rental of medical and other equipment | | 159,609 | | 160,000 | | 160,000 | | |
| Subtotal | | 1,198,104 | | 1,240,000 | | 1,284,000 | | +44,000 |
| 24 Printing and reproduction | | 81,075 | | 81,000 | | 80,000 | | −1,000 |
| 25 Other contract, services: | | | | | | | | |
| Repair prosthetic appliance | | 1,204,554 | | 1,215,000 | | 1,261,000 | | +46,000 |
| Laundry services | | 50,704 | | 51,000 | | 51,000 | | |
| Medical nurse and dentist fees | | 9,222,578 | | 9,435,000 | | 9,635,000 | | +200,000 |
| Repair furniture and equipment | | 155,090 | | 145,000 | | 145,000 | | |
| Maintenance and repair contractor services | | 44,599 | | 105,000 | | 100,000 | | −5,000 |
| Compensated therapy | | 3,388 | | 3,000 | | 3,000 | | |
| Data processing service | | | | | | 593,000 | | +593,000 |
| Other contractor services | | 267,841 | | 245,000 | | 246,000 | | +1,000 |
| Subtotal | | 10,948,754 | | 11,199,000 | | 12,034,000 | | +835,000 |

*Comparative analysis of employment and costs by object*—Continued

| Cost by object | 1964 actual | | 1965 estimated | | 1966 estimated | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|---|---|
| | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost | Full-time equivalent employment | Total cost |
| 26 Supplies and materials: | | | | | | | | |
| Provisions | | $46,399 | | $42,000 | | $42,000 | | |
| Drugs and medicines | | 9,919,312 | | 10,035,000 | | 13,379,000 | | +$3,344,000 |
| Blood and blood products | | 1,937 | | 2,000 | | 2,000 | | |
| Medical and dental supplies | | 2,234,450 | | 2,239,000 | | 2,286,000 | | +47,000 |
| Fuels | | 44,538 | | 45,000 | | 45,000 | | |
| Operating supplies | | 514,939 | | 515,000 | | 511,000 | | −4,000 |
| Maintenance and repair supplies | | 107,501 | | 108,000 | | 103,000 | | −5,000 |
| Prosthetic appliances | | 6,627,512 | | 6,630,000 | | 6,980,000 | | +350,000 |
| Linens | | 34,675 | | 35,000 | | 35,000 | | |
| Office supplies | | 256,906 | | 257,000 | | 257,000 | | |
| Other medical supplies | | 242,413 | | 243,000 | | 241,000 | | −2,000 |
| Fee prescriptions | | 3,543,470 | | 3,540,000 | | 3,540,000 | | |
| Subtotal | | 23,574,052 | | 23,691,000 | | 27,421,000 | | +3,730,000 |
| 31 Equipment: | | | | | | | | |
| Passenger vehicles | | 14,790 | | | | | | |
| Nonpassenger vehicles | | 1,451 | | | | 23,000 | | +23,000 |
| Furniture and fixtures | | 413,329 | | 213,000 | | 182,000 | | −31,000 |
| Medical, dental and scientific equipment | | 643,864 | | 338,000 | | 361,000 | | +23,000 |
| Utility and other operation | | 11,203 | | 11,000 | | 11,000 | | |
| Subtotal | | 1,084,637 | | 562,000 | | 577,000 | | +15,000 |
| 32 Land and structures | | 629 | | 1,000 | | 6,000 | | +5,000 |
| Total gross costs | 11,213 | 124,812,834 | 11,278 | 127,444,000 | 11,228 | 132,018,000 | −50 | +4,574,000 |

*Medical outpatient visits and cost of fee services*

| | 1964 actual | 1965 estimated | 1966 estimated |
|---|---|---|---|
| ALL PURPOSES | | | |
| Staff and fee | 6,178,633 | 6,067,600 | 6,109,100 |
| Staff | 4,945,717 | 4,839,400 | 4,880,900 |
| Fee | 1,232,916 | 1,228,200 | 1,228,200 |
| Unit cost | $6.33 | $6.53 | $6.69 |
| Direct fee cost | $7,809,282 | $8,015,000 | $8,215,000 |
| Intermediary cost | $269,798 | $270,000 | $270,000 |
| Total cost | $8,079,080 | $8,285,000 | $8,485,000 |
| COMPENSATION OR PENSION | | | |
| Staff and fee | 313,345 | 319,500 | 343,100 |
| Staff | 272,365 | 284,500 | 308,100 |
| Fee | 40,980 | 35,000 | 35,000 |
| Unit cost | $13.00 | $13.26 | $13.50 |
| Total cost | $532,740 | $464,100 | $472,500 |
| OUTPATIENT TREATMENT | | | |
| Staff and fee | 4,057,462 | 4,076,600 | 4,085,600 |
| Staff | 2,868,345 | 2,886,100 | 2,895,100 |
| Fee | 1,189,117 | 1,190,500 | 1,190,500 |
| Unit cost | $6.10 | $5.33 | $5.49 |
| Total cost | $7,258,382 | $7,533,500 | $7,724,600 |
| HOSPITAL OR DOMICILIARY | | | |
| Staff and fee | 1,051,393 | 1,051,800 | 1,057,900 |
| Staff | 1,049,262 | 1,049,700 | 1,055,800 |
| Fee | 2,131 | 2,100 | 2,100 |
| Unit cost | $4.97 | $5.10 | $5.24 |
| Total cost | $10,591 | $10,700 | $11,000 |
| INSURANCE | | | |
| Staff and fee | 9,117 | 8,200 | 7,900 |
| Staff | 8,687 | 7,800 | 7,500 |
| Fee | 430 | 400 | 400 |
| Unit cost | $9.73 | $10.00 | $10.25 |
| Total cost | $4,184 | $4,000 | $4,100 |
| OTHER | | | |
| Staff and fee | 747,316 | 611,500 | 614,600 |
| Staff | 747,058 | 611,300 | 614,400 |
| Fee | 258 | 200 | 200 |
| Unit cost | $13.12 | $13.50 | $14.00 |
| Total cost | $3,385 | $2,700 | $2,800 |

Mr. EVINS. You show a total gross cost increase of $4,574,000 for the outpatient care program (reading):

The estimate reflects 6,109,100 medical visits and 98,330 dental completed cases to VA outpatient clinics and home town physicians and dentists in fiscal year 1966. The estimate represents a net increase of 41,500 medical visits and 3,500 completed dental cases over the fiscal year 1965 level.

Is outpatient care increasing or decreasing? This says it is increasing and you tell us orally it is decreasing. Which is correct?

Mr. DRIVER. From 1965 to 1966, on page 4–111, the total medical visits in 1965 were 6,067,600, and the estimate for 1966 is 6,109,100, which is an increase of 41,500.

Mr. MONK. Of the total increase of $4,574,000, $3,344,000 is an increase in drugs and medicines, and this is basically due to the new law enacted last year that enables us to give drugs and medicines to certain pensioners.

Mr. THOMAS. Will you yield?

OUTPATIENT CLINICS

In years gone by the committee has urged medical services to consolidate or combine as many outpatient clinics as possible in the hospitals. How many outpatient clinics do you now have that are not associated with your hospitals?

Dr. McNinch. I think we have five that are not physically in the organization.

Mr. Thomas. Where are they?

Dr. Klippen. There are four independent clinics, in New York, Boston, Los Angeles, and Philadelphia.

Mr. Thomas. Do those independent clinics serve the whole area or just one particular town?

Dr. Klippen. The workload is primarily from the large town it is in.

Mr. Thomas. You used to have one in Brooklyn.

Dr. Klippen. We still have.

Mr. Thomas. Is that still open?

Dr. Klippen. Yes.

Mr. Thomas. That serves all of downtown Brooklyn?

Dr. Klippen. Yes.

Mr. Driver. I think what Mr. Thomas wants to know is how many outpatient clinics do you now have that are not in VA hospitals.

Mr. Thomas. What is the total number of outpatient clinics?

Dr. Klippen. Sixty-seven.

Mr. Thomas. And most of them are a part of a VA hospital?

Dr. Klippen. Yes. Each year, as construction goes on, more will move into the hospitals. There are now 26 combined with hospitals.

Mr. Thomas. What is your cost experience?

Mr. Wise. There is between $50,000 and $100,000 saved on each consolidation. The important point is the broader service a patient can get in the hospital.

### MEDICAL AND DENTAL FEE COSTS

Mr. Evins. We will turn to medical and dental fee costs.

What is the average payment per doctor for these services that they render to the veteran at your request?

Dr. Klippen. $6.69.

Mr. Thomas. Excuse me. Do you mean to tell me if a veteran goes to a doctor in a small town like Nacogdoches he pays $6.69?

Mr. Driver. It might be a little less in Nacogdoches.

Mr. Thomas. Can you imagine that, in a small town, going to a local doctor and he charges $6.69?

Mr. Evins. My wife called our doctor and he charged $10 for the telephone call.

Mr. Thomas. Off the record.

(Discussion off the record.)

Mr. Evins. How much is your total medical and dental fees?

Dr. Klippen. $8,485,000 in fees.

### MISCELLANEOUS BENEFITS AND SERVICES

Mr. Evins. Let us take a look at miscellaneous benefits and services.

You indicate a decrease in this area because of your projected closings. Insert pages 4–121 and 4–125.

(The pages follow:)

## MISCELLANEOUS BENEFITS AND SERVICES—MEDICAL CARE

### INTRODUCTION

This estimate reflects those items of expense not directly connected with medical care and treatment such as beneficiary travel, care of the dead, operation of personnel quarters, and the cost of furnishing supply, engineering, housekeeping, and other administrative support services to other VA departments on a nonreimbursable basis.

The estimate contemplates a reduction of 17 average employment for fiscal year 1966 from fiscal year 1965, due to the closure of 11 VA hospitals and 4 VA domiciliaries.

Detailed functional and object distribution of costs and employment for fiscal years 1964, 1965, and 1966 are reflected on the next four pages.

*Comparison of costs by function*

| Function | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) |
|---|---|---|---|---|
| Administrative support: | | | | |
| Executive direction | $7,880 | $9,000 | $43,000 | +$34,000 |
| Registrar and medical administration | 79,930 | 83,000 | 84,000 | +1,000 |
| Fiscal | 153,085 | 159,000 | 160,000 | +1,000 |
| Personnel | 254,554 | 267,000 | 268,000 | +1,000 |
| Supply | 834,316 | 867,000 | 871,000 | +4,000 |
| Subtotal | 1,329,765 | 1,385,000 | 1,426,000 | +41,000 |
| Engineering division, operations: | | | | |
| Supervision | 63,590 | 67,000 | 68,000 | +1,000 |
| Utility operations | 322,878 | 336,000 | 340,000 | +4,000 |
| Plant operations | 119,557 | 125,000 | 124,000 | −1,000 |
| Motor transportation | 95,664 | 99,000 | 94,000 | −5,000 |
| Other engineering operations | 229,562 | 240,000 | 238,000 | −2,000 |
| Subtotal | 831,251 | 867,000 | 864,000 | −3,000 |
| Engineering division, maintenance and repair: | | | | |
| Buildings | 313,799 | 319,000 | 301,000 | −18,000 |
| Building services equipment and systems | 182,430 | 185,000 | 178,000 | −7,000 |
| Utility systems | 44,442 | 45,000 | 44,000 | −1,000 |
| Operating equipment | 192,336 | 195,000 | 192,000 | −3,000 |
| Other facilities | 46,271 | 47,000 | 45,000 | −2,000 |
| Subtotal | 779,278 | 791,000 | 760,000 | −31,000 |
| Housekeeping division: | | | | |
| Housekeeping operations | 1,799,432 | 1,850,000 | 1,810,000 | −40,000 |
| Laundry and drycleaning | 321,193 | 331,000 | 325,000 | −6,000 |
| Subtotal | 2,120,625 | 2,181,000 | 2,135,000 | −46,000 |
| Other benefits and services: | | | | |
| Travel and transportation of beneficiaries | 8,638,101 | 8,933,000 | 8,829,000 | −104,000 |
| Care of dead | 791,869 | 819,000 | 813,000 | −6,000 |
| Agricultural activities | 68,447 | 70,000 | 70,000 | |
| Operation of personnel quarters | 396,404 | 409,000 | 408,000 | −1,000 |
| Subtotal | 9,894,821 | 10,231,000 | 10,120,000 | −111,000 |
| Total gross costs | 14,955,740 | 15,455,000 | 15,305,000 | −150,000 |

### TOTAL EMPLOYMENT—MEDICAL CARE

Page 4–127 shows total employment for 1966 at 129,361.

What is the average payroll cost per employee in the Department of Medicine and Surgery?

Mr. WISE. $7,016.
Mr. EVINS. Insert pages 4–127 and 4–130.
(The pages follow:)

*Full-time equivalent employment (net)—Medical care*

| | Neuropsychiatric, 841 | General, 843 | Domiciliaries, 851 | Nursing home care, 853 | Outpatient, 860 | Miscellaneous benefits, 870 | Total |
|---|---|---|---|---|---|---|---|
| 1955 actual | 36,356 | 77,561 | 4,021 | ..... | 9,660 | ..... | 127,598 |
| 1956 actual | 39,249 | 77,124 | 3,924 | ..... | 9,126 | ..... | 129,423 |
| 1957 actual | 39,286 | 77,765 | 3,895 | ..... | 8,711 | ..... | 129,657 |
| 1958 actual | [1] 37,271 | 78,553 | 3,880 | ..... | 8,384 | ..... | 128,088 |
| 1959 actual | 37,445 | 77,181 | 3,866 | ..... | 8,021 | ..... | 126,513 |
| 1960 actual | 37,723 | 77,537 | 3,920 | ..... | 7,904 | ..... | 127,084 |
| 1961 actual | 38,472 | 77,815 | 3,987 | ..... | 7,964 | ..... | 128,238 |
| 1962 actual | 40,056 | 78,789 | 3,827 | ..... | 7,940 | ..... | 130,612 |
| 1963 actual | [2] 40,638 | 75,341 | 3,520 | ..... | [3] 10,853 | ..... | 130,352 |
| 1964 actual | 40,432 | 74,150 | 3,226 | ..... | 11,213 | 788 | 129,809 |
| 1965 estimate | 39,766 | 75,460 | 3,282 | 267 | 11,278 | 788 | 130,841 |
| 1966 estimate | 39,952 | 73,424 | 2,826 | 1,160 | 11,228 | 771 | 129,361 |

[1] Veterans' Administration hospitals, Salt Lake City and Augusta designated general hospitals.
[2] Decreases attributable to removal of patients and members from employee status effective Dec. 8, 1962, as per Public Law 87-574.
[3] Increase due to redefinition of "inpatient and outpatient."

***Average payroll costs, D.M. & S.***

| Year: | *Medical care* | Year—Continued | *Medical care* |
|---|---|---|---|
| 1958 | $4,928 | 1963 | $6,259 |
| 1959 | 5,277 | 1964 | 6,586 |
| 1960 | 5,417 | 1965 (estimated) | 7,016 |
| 1961 | 5,846 | 1966 (estimated) | 7,053 |
| 1962 | 5,931 | | |

MOTOR VEHICLES

Mr. EVINS. You want to replace 8 passenger cars and 17 nonpassenger vehicles in the next year; 25 cars to be purchased.

## Canteen Service Revolving Fund

### *Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Operating costs, funded: | | | |
| | Sales program: | | | |
| | Cost of goods sold | 34,960 | 36,607 | 37,908 |
| | Direct operating expense | 11,878 | 12,598 | 13,178 |
| | Indirect operating expense | 1,783 | 1,953 | 1,966 |
| | Total operating costs, funded | 48,621 | 51,158 | 53,052 |
| | Capital outlay, funded: | | | |
| | Sales program: Purchase of equipment | 504 | 814 | 938 |
| | Total program costs, funded | 49,125 | 51,972 | 53,990 |
| | Change in selected resources [1] | 281 | 209 | |
| 10 | Total obligations | 49,406 | 52,181 | 53,990 |
| | Financing: | | | |
| 14 | Receipts and reimbursements from non-Federal sources: | | | |
| | Sales program: Revenue | −49,797 | −52,055 | −53,941 |
| | Undistributed receipts: | | | |
| | Proceeds from sale of equipment | −35 | −30 | −30 |
| | Miscellaneous revenue | −130 | −135 | −141 |
| 21.98 | Unobligated balance available, start of year | −1,553 | −609 | |
| | Obligations in excess of availability, start of year | | | 471 |
| 24.98 | Unobligated balance available, end of year | 609 | | |
| | Obligations in excess of availability, end of year | | −471 | −519 |
| 27 | Capital transfer to general fund | 1,500 | 1,119 | 170 |
| | New obligational authority | | | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 49,406 | 52,181 | 53,990 |
| 70 | Receipts and other offsets (items 11–17) | −49,962 | −52,220 | −54,112 |
| 71 | Obligations affecting expenditures | −556 | −39 | −122 |
| 72.98 | Obligated balance, start of year | 3,864 | 3,515 | 3,646 |
| 74.98 | Obligated balance, end of year | −3,515 | −3,646 | −3,742 |
| 90 | Expenditures | −207 | −170 | −218 |
| | Cash transactions: | | | |
| 93 | Gross expenditures | 49,758 | 52,048 | 53,894 |
| 94 | Applicable receipts | −49,965 | −52,218 | −54,112 |

[1] Balances of selected resources are identified on the statement of financial condition.

### *Revenue, expense, and retained earnings*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Sales program: | | | |
| Revenue | 49,797 | 52,055 | 53,941 |
| Expense | 49,129 | 51,660 | 53,551 |
| Net operating income, sales program | 668 | 395 | 390 |
| Nonoperating income or loss: | | | |
| Proceeds from sale of equipment | 35 | 30 | 30 |
| Net book value of assets sold | −66 | −55 | −55 |
| Net loss from sale of equipment | −31 | −25 | −25 |
| Miscellaneous revenue | 130 | 135 | 141 |
| Net nonoperating income | 99 | 110 | 116 |
| Net income for the year | 767 | 505 | 506 |
| Analysis of retained earnings: | | | |
| Retained earnings, start of year | 11,011 | 10,278 | 9,664 |
| Payment of excess funds | −1,500 | −1,119 | −170 |
| Retained earnings, end of year | 10,278 | 9,664 | 10,000 |

### *Financial condition*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Assets: | | | | |
| Cash with Treasury, in banks, on hand, and in transit | 5,417 | 4,124 | 3,175 | 3,223 |
| Accounts receivable | 516 | 513 | 515 | 515 |
| Selected assets: [1] | | | | |
| Commoditities for sale | 5,230 | 5,310 | 5,519 | 5,519 |
| Prepaid expenses and other assets | 16 | 12 | 12 | 12 |
| Fixed assets, net | 3,605 | 3,535 | 3,792 | 4,176 |
| Total assets | 14,784 | 13,494 | 13,013 | 13,445 |
| Liabilities: | | | | |
| Current | 3,407 | 2,850 | 2,983 | 3,079 |
| Government equity: | | | | |
| Non-interest-bearing capital: | | | | |
| Start of year | 364 | 366 | 366 | 366 |
| Donated property | 2 | | | |
| End of year | 366 | 366 | 366 | 366 |
| Retained earnings | 11,011 | 10,278 | 9,664 | 10,000 |
| Total Government equity | 11,377 | 10,644 | 10,030 | 10,366 |

[1] The changes in these items are reflected on the program and financing schedule.

### *Analysis of Government equity*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Unpaid undelivered orders [1] | 972 | 1,178 | 1,178 | 1,178 |
| Unobligated balance | 1,553 | 609 | −471 | −519 |
| Invested capital and earnings | 8,851 | 8,857 | 9,323 | 9,707 |
| Total Government equity | 11,377 | 10,644 | 10,030 | 10,366 |

[1] The changes in these items are reflected on the program and financing schedule.

### *Object classification*

**[In thousands of dollars]**

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 10,462 | 11,060 | 11,524 |
| 11.3 | Positions other than permanent | 732 | 887 | 946 |
| 11.4 | Special personal service payments | 111 | 130 | 110 |
| 11.5 | Other personnel compensation | 49 | 52 | 54 |
| | Total personnel compensation | 11,354 | 12,129 | 12,634 |
| 12.0 | Personnel benefits | 851 | 907 | 937 |
| 21.0 | Travel and transportation of persons | 105 | 105 | 105 |
| 23.0 | Rent, communications, and utilities | 741 | 813 | 834 |
| 24.0 | Printing and reproduction | 51 | 51 | 51 |
| 25.1 | Other services | 230 | 249 | 275 |
| 26.0 | Supplies and materials | 35,289 | 36,904 | 38,216 |
| 31.0 | Equipment | 504 | 814 | 938 |
| | Total costs, funded | 49,125 | 51,972 | 53,990 |
| 94.0 | Change in selected resources | 281 | 209 | |
| 99.0 | Total obligations | 49,406 | 52,181 | 53,990 |

*Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 2,603 | 2,578 | 2,609 |
| Full-time equivalent of other positions | 280 | 317 | 322 |
| Average number of all employees | 2,873 | 2,884 | 2,920 |
| Average GS grade | 6.9 | 6.9 | 6.9 |
| Average GS salary | $7,115 | $7,547 | $7,624 |
| Average salary of ungraded positions | $3,770 | $4,017 | $4,152 |

Mr. EVINS. Let us take a look at "Canteen Service revolving fund." This operates at a profit and we do not need to appropriate any money for this except how much?

Mr. MONK. We do not need any appropriation for that.

Mr. EVINS. We will place in the record pages 5–2 and 5-3.

(The pages follows:)

CANTEEN SERVICE REVOLVING FUND

No appropriation by the Congress will be required for the operation of the Veterans Canteen Service during fiscal year 1966. The Veterans Canteen Service was established by Congress in 1946 to furnish at reasonable prices merchandise and services necessary to the comfort and well-being of veterans in hospitals and domiciliaries operated by the Veterans Administration (38 U.S.C. 4201–4208). The $10,366,000 budget estimate (comprised of $6,190,000 for total working capital and $4,176,000 for investment in equipment) is submitted for the purpose of providing for the maintenance and operation of the Veterans Canteen Service during fiscal year 1966.

The Congress originally appropriated a total of $4,965,000 for the operation of the Veterans Canteen Service and no additional appropriations have been required. Funds in excess of the needs of the Service totaling $9,900,000 have been paid to the Treasury. Funds in the amount of $1,119,000 will be paid to the Treasury during fiscal year 1965. Contingent upon the operating results for fiscal year 1965, and the capital requirements for fiscal year 1966, the 1966 estimate anticipates a further payment to the Treasury of $170,000.

*Capital requirements*

Canteens are operated at all VA hospitals and domiciliaries. Capital requirements for operation of the Veterans' Canteen Service for fiscal year 1966 are as follows:

1. Cash:

(*a*) Petty cash and change funds: The average sum of $863 per canteen is considered necessary for the purpose of making limited local purchases, paying incidental operating and housekeeping expenses, and providing adequate change requirements. Such funds are established in amounts commensurate with the size and requirements of each individual canteen. Total requirements, $145,000.

(*b*) At the field station depositaries: It is estimated that the average sum of $8,595 per canteen is necessary for the maintenance of field station depositary accounts. Total requirements, $1,444,000.

(*c*) At the field offices and central office: It is estimated that the capital requirements for five field offices and central office will amount to $1,416,000. This total will provide a portion of the cash for purchase of equipment and payment of outstanding accounts payable, accrued payroll, withholding taxes, retirement, etc.

2. Accounts receivable, prepaid expenses and other assets: It is estimated that accounts receivable, prepaid expenses, and other assets will be $527,000.

3. Inventories, commodities for sale:

(*a*) Retail departments: It is estimated that a retail inventory of $5,217,000 is required.

(*b*) Food departments: It is estimated that a food department inventory of $283,000 is required.

(c) Service departments: Service department inventories consist primarily of vending machine stocks. It is estimated that an inventory of $19,000 is required.

4. Equipment: Capital requirements for equipment replacements, remodelings, and new canteens during fiscal year 1966 are estimated to be $938,000.

*Operating results*

It is expected that sales will amount to $53,941,000 in fiscal year 1966, and that a net profit of $506,000 will be realized.

*Personnel requirements*

In the area of manpower control and utilization, the Veterans Canteen Service uses many of the techniques that are generally applied in commercial retail chainstore operations. Major consideration is given to salary expense in relation to sales. Salary expense data is provided to management personnel periodically for each department in each canteen, as well as consolidated data for each field office and the total Veterans Canteen Service. This data is compared to the corresponding period for the previous year and to the plan. This has been and will continue to be an effective control.

Although the major control is salary expense in relation to sales, other means, such as sales productivity figures per employee, have been developed for the retail and food departments to determine trends. Studies will be continued and productivity data refined during fiscal years 1965 and 1966.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. THOMAS. Tell us generally what your markup is.

Mr. BUCKNELL. The overall markup in our retail department was 18½ percent and in our food department the gross is 54 percent. The aggregate, combining the retail, food, and services comes to approximately 29 percent.

Mr. THOMAS. Is not your markup high? How much net did you come out with last year?

Mr. BUCKNELL. Net earnings, $767,000.

Mr. THOMAS. You operate rent free.

Mr. BUCKNELL. I would like to say, so that the record may be clear, that we do pay rent and we do pay utilities.

Mr. THOMAS. What is your rent? I thought it was free.

Mr. BUCKNELL. Our payment for rent and utilities amounted to approximately three-quarters of a million last year.

Mr. THOMAS. How is your rent figured? I thought they gave you free rent and free utilities.

Mr. BUCKNELL. No, sir. Utilities are computed on an actual usage figure and rent is based on amortizing the cost of the space used by the canteen over the estimated life of the building.

Mr. THOMAS. How much a square foot? Say you use a space 50 by 60 feet. What rent do you pay?

Mr. BUCKNELL. In an average hospital the rent runs $1,100 a year and utilities around $3,000 a year.

Mr. THOMAS. How much volume do you do in a 1,000-bed hospital?

Mr. BUCKNELL. About $300,000 a year in an average hospital.

Mr. THOMAS. And you have a markup of 25 or 30 percent?

Mr. BUCKNELL. Yes, sir.

Mr. THOMAS. What is your gross overhead? In a 1,000-bed hospital you come out with a net of how much?

Mr. BUCKNELL. In the total operation we will come out with a net of slightly over 1 percent. Last year it was 1.5 percent and we project 1 percent next year.

DISPOSITION OF PROFITS

Mr. THOMAS. Does the profit go in the revolving fund or to the Treasury?

Mr. BUCKNELL. It goes in the revolving fund and each year the funds in excess of requirements for the ensuing year are paid to the Treasury.

Mr. THOMAS. How much did you give the Treasury in 1964?

Mr. BUCKNELL. In 1964 we gave $1,500,000 to the Treasury.

Mr. THOMAS. Your canteens were not set up to make a profit. You could reduce your prices.

Mr. MONK. In some places they operate at a loss.

Mr. THOMAS. In the smaller hospitals?

Mr. MONK. Yes, sir.

Mr. THOMAS. Take your big 1,000-bed hospitals. Every time I have gone in one of them they were doing plenty of business. What is your salary scale? Is it comparable with the wage scale throughout the hospital?

Mr. MONK. It is a little lower than the hospital personnel scale but comparable to the outside scale.

Mr. THOMAS. It is not a hospital scale?

Mr. MONK. It is not a hospital scale; no.

## RENTAL, MAINTENANCE, AND REPAIR OF QUARTERS

Mr. EVINS. Place in the record pages 5–8 and 5–9.

(The pages follow:)

### RENTAL, MAINTENANCE, AND REPAIR OF QUARTERS

There are available for leasing to Federal employees 128 housekeeping units under this fund located at Perry Point, Md. These units, which were transferred to the Veterans Administration in 1925, were constructed prior to World War I and consequently are in need of considerable modernization, maintenance, and repair.

Due to the need for providing living quarters as an incentive to recruit and retain the services of key employees, a long-term program is maintained to defray from rental income all operating, maintenance, repairs, and, as possible, modernization expenses incidental thereto (38 U.S.C. 5012(a)). Rental charges are determined in accordance with instructions contained in Bureau of the Budget Circular A–45, which require that charges be set at comparable community rates, based on fair appraisals.

Because of the extensive backlog of maintenance and repair work, virtually all income must be applied to the upkeep of the quarters to assure even minimal living standards. The age and type of construction of the units will require continuing maintenance in future years.

*Rental, maintenance, and repair of quarters—Statement of financial actions and condition*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Capital at start of year: | | | |
| Cash | $1,846 | $1,047 | $1,000 |
| Accounts receivable | 1,711 | 3,161 | 3,000 |
| Accounts payable (−) | (938) | (1,328) | (1,000) |
| Total | 2,619 | 2,880 | 3,000 |
| Rental income during year | 93,765 | 119,794 | 120,000 |
| Total available for operations during year | 96,384 | 122,674 | 123,000 |
| Operating expenses during year (−): | | | |
| Fuel utilities, and services | 56,517 | 76,430 | 76,750 |
| Maintenance and repair | 36,603 | 43,000 | 43,000 |
| Total operating expenses | 93,120 | 119,430 | 119,750 |
| Payment to Treasury during year (−) | 384 | 244 | 250 |
| Capital at end of year: | | | |
| Cash | 1,047 | 1,000 | 1,000 |
| Accounts receivable | 3,161 | 3,000 | 3,000 |
| Accounts payable (−) | (1,328) | (1,000) | (1,000) |
| Net capital (Government equity) | 2,880 | 3,000 | 3,000 |

## General Post Fund, National Homes

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| 23.0 | Rent, communications, and utilities | 30 | 30 | 30 |
| 25.1 | Other services | 53 | 55 | 55 |
| 26.0 | Supplies and materials | 1,069 | 1,200 | 1,200 |
| 31.0 | Equipment | 331 | 380 | 380 |
| 32.0 | Lands and structures | 87 | 85 | 85 |
| 44.0 | Refunds | 30 | 30 | 30 |
| 99.0 | Total obligations | 1,600 | 1,780 | 1,780 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| 10 | Religious, recreational, and entertainment (obligations) | 1,600 | 1,780 | 1,780 |
| | Financing: | | | |
| 21 | Unobligated balance available, start of year: | | | |
| | Treasury balance | −1,345 | −1,315 | −1,305 |
| | U.S. securities (par) | −1,835 | −2,135 | −2,235 |
| 24 | Unobligated balance available, end of year: | | | |
| | Treasury balance | 1,315 | 1,305 | 1,298 |
| | U.S. securities (par) | 2,135 | 2,235 | 2,335 |
| 60 | New obligational authority | 1,870 | 1,870 | 1,873 |
| | Relation of obligations to expenditures: | | | |
| 71 | Total obligations (affecting expenditures) | 1,600 | 1,780 | 1,780 |
| 72 | Obligated balance, start of year | 14 | 33 | 33 |
| 74 | Obligated balance, end of year | −33 | −33 | −33 |
| 90 | Expenditures | 1,581 | 1,780 | 1,780 |

Mr. EVINS. Let us look at the general post fund. How much did you receive in donations?

Mr. MONK. In the general post fund, cash receipts in 1964 were $1,799,835, and we estimate $1,800,000 in 1965 and 1966.

Mr. EVINS. What do you use those donations for?

Mr. MONK. Patient needs.

Mr. EVINS. Entertainment?

Mr. MONK. Part of it.

Mr. EVINS. You buy televisions?

Dr. KLIPPEN. Recreational items.

Mr. EVINS. Insert pages 5–10, 5–11, and 5–12.

(The pages follow:)

GENERAL POST FUND, NATIONAL HOMES

This fund consists of gifts, bequests, and proceeds of sale of property left in the care of the facilities by former beneficiaries; patients' fund balances; and proceeds of sale of effects of beneficiaries who die leaving no heirs or without having otherwise disposed of their estate. Such funds are used to promote the comfort and welfare of veterans at hospitals and homes where no general appropriation is available (title 38, United States Code, chs. 83 and 85).

During fiscal years 1965 and 1966 it is estimated that cash expenditures from the fund will approximate $1,780,000 comprised of $1,285,000 for supplies and services, $30,000 for settlement of estates and claims, and $465,000 for recreational and religious facilities and equipment. The expenditures are in accord with purposes for which the fund legally may be expended (Comptroller General's decision B–125715, Nov. 10, 1955), and the intent of the donors. Donors usually specify that their donations be used for designated recreational or religious projects or equipment purchases.

An invested reserve of approximately $2,235,000 in fiscal year 1965 and $2,335,000 in fiscal year 1966 will be maintained to meet claims for estate settlement which must be held in trust for a legal period of 5 years after the demise of intestate veteran beneficiaries.

Cash receipts from donations and estates for each of the fiscal years 1965 and 1966 is estimated at $1,800,000.

## General Post Fund

*Statement of financial actions and condition*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Balances as of July 1: | | | |
| Equipment and facilities | $3,836,858 | $4,458,375 | $5,127,000 |
| Investments | 1,835,000 | 2,135,000 | 2,235,000 |
| Cash | 1,358,469 | 1,348,165 | 1,338,000 |
| Total | 7,030,327 | 7,941,540 | 8,700,000 |
| Income during year: | | | |
| Equipment and facilities donated | 203,591 | 203,625 | 204,000 |
| Discounts on investments purchased | 3,956 | | |
| Interest on investments | 66,569 | 70,000 | 73,000 |
| Cash receipts from donations, estates, etc | 1,799,718 | 1,799,835 | 1,800,000 |
| Total | 2,073,834 | 2,073,460 | 2,077,000 |
| Total balances plus income: | | | |
| Equipment and facilities | 4,040,449 | 4,662,000 | 5,331,000 |
| Investments | 1,835,000 | 2,135,000 | 2,235,000 |
| Cash | 3,228,712 | 3,218,000 | 3,211,000 |
| Total | 9,104,161 | 10,015,000 | 10,777,000 |
| Expenditures during fiscal year: [1] | | | |
| Supplies and services | 1,132,435 | 1,285,000 | 1,285,000 |
| Settlement of estates and claims | 30,186 | 30,000 | 30,000 |
| Total | 1,162,621 | 1,315,000 | 1,315,000 |
| Capital at end of fiscal year: | | | |
| Equipment and facilities | 4,458,375 | 5,127,000 | 5,796,000 |
| Investments | 2,135,000 | 2,235,000 | 2,335,000 |
| Cash | 1,348,165 | 1,338,000 | 1,331,000 |
| Total | 7,941,540 | 8,700,000 | 9,462,000 |
| Total expenditures and capital | 9,104,161 | 10,015,000 | 10,777,000 |

[1] See the following:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Excluding net amounts expended for investments and equipment and facilities included in comparable capital accounts | $717,926 | $565,000 | $565,000 |

*Statement of income and expense*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Income: | | | |
| Cash receipts from donations, estates, etc. | $1,799,718 | $1,800,000 | $1,800,000 |
| Interest on investments | 66,569 | 70,000 | 73,000 |
| Discounts or premiums on investments purchased | 3,956 | | |
| Equipment and facilities donated | 203,591 | 204,000 | 204,000 |
| Supplies and services donated | 2,224,965 | 2,225,000 | 2,225,000 |
| Total income | 4,298,799 | 4,299,000 | 4,302,000 |
| Expense: [1] | | | |
| Supplies and services consumed | 3,357,400 | 3,510,000 | 3,510,000 |
| Settlement of claims and estates | 30,186 | 30,000 | 30,000 |
| Writeoffs and adjustments | 314,332 | 314,000 | 314,000 |
| Total expense | 3,701,918 | 3,854,000 | 3,854,000 |
| Net income | 596,881 | 445,000 | 448,000 |

[1] See the following:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Excluding net amounts expended for investments and equipment and facilities included in comparable asset account | 717,926 | 565,000 | 565,000 |

## Supply Fund

### Intragovernmental Fund

*Program and Financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Operating costs, funded: | | | |
| | 1. Procurement, distribution and services program: | | | |
| | Cost of goods sold | 163,140 | 155,842 | 156,128 |
| | Other expense | 5,866 | 6,272 | 6,480 |
| | 2. Publications and reproduction program: | | | |
| | Cost of goods sold | 1,625 | 1,637 | 1,637 |
| | Other expense | 1,201 | 1,239 | 1,239 |
| | Total operating costs, funded | 171,832 | 164,990 | 165,484 |
| | Capital outlay, funded: | | | |
| | 1. Procurement, distribtion and services program: Purchase of equipment | 60 | 100 | 49 |
| | 2. Publications and reproduction program: Purchase of equipment | 55 | 57 | 40 |
| | Total capital outlay, funded | 115 | 157 | 89 |
| | Total program costs, funded | 171,947 | 165,147 | 165,573 |
| | Change in selected resources [1] | −4,215 | 2,505 | 55 |
| 10 | Total obligations | 167,732 | 167,652 | 165,628 |
| | Financing: | | | |
| 11 | Receipts and reimbursements from: | | | |
| | Administrative budget accounts: | | | |
| | Procurement, distribution and services program: Revenue | −168,830 | −162,420 | −162,693 |
| | Publications and reproduction program: Revenue | −2,865 | −2,900 | −2,900 |
| | Adjustments in unfilled customers orbers, unrecorded | −853 | | |
| 21.98 | Unobligated balance, start of year: Obligations in excess of availability | 15,107 | 10,464 | 12,796 |
| 24.98 | Unobligated balance, end of year: Obligations in excess of availability | −10,464 | −12,796 | −12,831 |
| 27 | Capital transfer to general fund | 173 | | |
| | New obligational authority | | | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 167,732 | 167,652 | 165,628 |
| 70 | Receipts and other offsets (items 11-17) | −172,548 | −165,320 | −165,593 |
| 71 | Obligations affecting expenditures | −4,816 | 2,332 | 35 |
| 72.98 | Obligated balance, start of year | 28,497 | 21,387 | 24,387 |
| 74.98 | Obligated balance, end of year | −21,387 | −24,387 | −24,387 |
| 90 | Expenditures | 2,294 | −668 | 35 |

[1] Balances of selected resources are identified on the statement of financial condition.

### *Revenue, expense, and retained earnings*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Revenue | 171,695 | 165,320 | 165,593 |
| Expense | 171,901 | 165,068 | 165,559 |
| Net operating income or loss | −206 | 252 | 34 |
| Nonoperating income or loss: | | | |
| Proceeds from sale of equipment | 32 | 6 | 6 |
| Net book value of assets sold | −47 | −14 | −14 |
| Net loss from sale of equipment (nonfunded) | −15 | −8 | −8 |
| Net income or loss for the year | −221 | 244 | 26 |
| Analysis of retained earnings: | | | |
| Retained earnings, start of year | 173 | −221 | 23 |
| Payment of earnings | −173 | | |
| Retained earnings or deficit, end of year | −221 | 23 | 49 |

### *Financial condition*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Assets: | | | | |
| Treasury balance | 13,390 | 10,923 | 11,591 | 11,556 |
| Accounts receivable, net | 5,821 | 2,871 | 3,000 | 3,000 |
| Selected assets: [1] | | | | |
| Advances | 127 | 122 | 122 | 122 |
| Commodities for sale | 34,135 | 35,352 | 35,845 | 35,900 |
| Fixed assets, net | 589 | 620 | 691 | 697 |
| Total assets | 54,062 | 49,888 | 51,249 | 51,275 |
| Liabilities: Current | 13,903 | 10,123 | 11,240 | 11,240 |
| Government equity: | | | | |
| Non-interest-bearing capital | 39,986 | 39,986 | 39,986 | 39,986 |
| Retained earnings or deficit | 173 | −221 | 23 | 49 |
| Total Government equity | 40,159 | 39,765 | 40,009 | 40,035 |

### *Analysis of Government equity*

[In thousands of dollars]

| | 1963 actual | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| Unpaid undelivered orders [1] | 20,415 | 14,988 | 17,000 | 17,000 |
| Unobligated balance | −15,107 | −10,464 | −12,796 | −12,831 |
| Unfilled customers' orders | | −853 | −853 | −853 |
| Invested capital and earnings | 34,851 | 36,094 | 36,658 | 36,719 |
| Total Government equity | 40,159 | 39,765 | 40,009 | 40,035 |

[1] The changes in these items are reflected on the program and financing schedule.

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | $4,196 | $4,516 | $4,540 |
| 11.3 | Positions other than permanent | 1 | | |
| 11.5 | Other personnel compensation | 36 | 36 | 36 |
| | Total personnel compensation | 4,233 | 4,552 | 4,576 |
| 12.0 | Personnel benefits | 329 | 356 | 362 |
| 21.0 | Travel and transportation of persons | 99 | 99 | 99 |
| 22.0 | Transportation of things | 1,385 | 1,315 | 1,349 |
| 23.0 | Rent, communications, and utilities | 176 | 166 | 166 |
| 24.0 | Printing and reproduction | 1,516 | 1,555 | 1,555 |
| 25.1 | Other services | 145 | 203 | 399 |
| 26.0 | Supplies and materials | 146,318 | 147,322 | 147,118 |
| 31.0 | Equipment for use of fund | 115 | 157 | 89 |
| | Equipment for sale to others | 17,990 | 9,915 | 9,915 |
| | Total accrued expenditures | 172,306 | 165,640 | 165,628 |
| 94.0 | Change in unpaid undelivered orders | −4,574 | 2,012 | |
| 99.0 | Total obligations | 167,732 | 167,652 | 165,628 |

*Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 665 | 674 | 676 |
| Average number of all employees | 665 | 674 | 676 |
| Average GS grade | 6.5 | 6.5 | 6.5 |
| Average GS salary | $6,487 | $6,786 | $6,834 |
| Average salary of ungraded positions | $6,052 | $6,458 | $6,661 |

Mr. EVINS. What is the situation of the supply fund?

Mr. COOK. Last year we had a one-tenth of 1 percent loss, about $200,000.

Mr. EVINS. How much do you have in it and how much appropriation do you need?

Mr. COOK. We do not need any appropriation. The total Government equity in the fund as of the end of the year was $39,764,983.

WAREHOUSE OPERATIONS

Mr. THOMAS. How many warehouses do you have?

Mr. COOK. Three warehouses.

Mr. THOMAS. Where are they located?

Mr. COOK. Somerville, N.J., Hines, Ill., and Wilmington.

Mr. THOMAS. What do you buy at each of the warehouses?

Mr. COOK. At Somerville, N.J., drugs and medical equipment; books and periodicals.

At Hines, Ill., subsistence, laboratory supplies, general medical supplies, dental and medical equipment.

At Wilmington we do no national buying.

Mr. THOMAS. What happened to all that furniture you had stored there? Is it still there?

Mr. COOK. No, sir.

Mr. THOMAS. What happened to it?

Mr. COOK. That was equipment for movement to hospitals under construction.

Mr. THOMAS. You shipped it to the Pacific coast and then back to the Atlantic coast?

Mr. COOK. No; I think the chairman refers to Palo Alto, Calif.

SUPPLY FUND SALES VOLUME

Mr. THOMAS. What is the sales volume in the supply fund? Break it down. Tell us something about it.

Mr. COOK. The total volume of sales last year were: $45,980,115 in food; $34,655,896 in general supplies; $31,148,119 in drugs and medicines; $26,305,233 in other medical supplies; $21,627,308 in equipment; $5,582,840 in fuel; and $1,946,609 in an account that is a miscellaneous group of low-value items we do not classify as to their nature.

Mr. THOMAS. Why not?

Mr. COOK. Because of the unit value.

INVENTORY

Mr. THOMAS. What is your total inventory?

Mr. COOK. Roughly $35 million, of which roughly $20 million is held in three supply depots and the rest in the hospitals.

TURNOVER

Mr. THOMAS. What is the turnover?

Mr. COOK. About 4.5 times a year.

REPAIR FACILITIES

Mr. THOMAS. Do you have any repair shops outside your three big warehouses?

Mr. COOK. No, sir.

Mr. THOMAS. Why not?

Mr. COOK. We use commercial repair facilities or facilities of other agencies.

Mr. THOMAS. What are these repair shops worth to you?

Mr. COOK. We guess about $5 million a year.

Mr. THOMAS. You guess that, but certainly the one in Hines, you have some high-grade talent there that can fix anything on earth.

Mr. COOK. If it is medical equipment.

Mr. THOMAS. What about your desks and cabinets?

Mr. COOK. Most of that is by commercial contract or GSA.

Mr. THOMAS. How much do you spend on your commercial contracts a year? Give us a breakdown. How much do you spend on outside sources on repairs and so forth?

Mr. MONK. Of course most of those local stations have people who do local repair or other types of repair. Some do machinery repair.

Mr. THOMAS. On an average, how much do you spend outside?

Mr. COOK. Last year the amount for commercial repair contracts was $2,740,603.

Mr. MONK. We capitalized what we had in warehouses and on order and I think it was $50 million.

Mr. THOMAS. You used merchandise, no cash.

Mr. MONK. We paid for it originally from appropriated funds, then capitalized it and then we paid for it again to the fund.

Mr. THOMAS. You charge each installation. Do you charge them anything?

Mr. MONK. A surcharge.

SURCHARGE

Mr. THOMAS. What is the surcharge?

Mr. COOK. On subsistence we charge them 7 percent and on other supplies we charge them 9 percent.

COMPARISON WITH GSA SUPPLY SYSTEM

Mr. THOMAS. What does it cost you to do business, say per $100?

Mr. MONK. About $10 in fiscal year 1965.

Mr. COOK. For fiscal year 1966 we project a little under $10 for the entire supply system, both the wholesale distribution system and the station supply.

Mr. THOMAS. You are a little high compared to GSA.

Mr. COOK. No, sir.

Mr. THOMAS. I thought they did theirs for around 7½ or 8 percent.

Mr. COOK. They do not include in their operating costs the cost of transporting the goods in and out of the warehouses and our figure does.

Mr. THOMAS. In and out?

Mr. COOK. Yes, sir.

Mr. THOMAS. How does your cost compare with theirs?

Mr. COOK. We have been unable to get a figure from them recently.

Mr. THOMAS. Their overhead is based on transportation in; the agency pays it out. Your predecessor used to claim he was as good a merchant as GSA.

Mr. COOK. We feel we are more economical than GSA.

Mr. THOMAS. There is nothing timid about you.

ALLOCATION TO SMALL BUSINESS

Mr. EVINS. How much is allocated to small business?

Mr. COOK. A little over 50 percent if construction is included; 55 percent if construction is not included.

Mr. EVINS. You claim to have $49,000 retained earnings in the fund.

Mr. THOMAS. Gentlemen, let us go to lunch now and come back at 1:15.

AFTERNOON SESSION

Mr. EVINS. The committee will come to order. We will resume our consideration of the Veterans Administration budget and take up this afternoon volume IV of the budget related to construction.

Mr. JONAS. Mr. Chairman, before you start on the construction, I have some questions I want to ask concerning General Accounting Office reports. Would you rather I wait until you have finished the construction or ask them now?

Mr. EVINS. You go right ahead now.

GAO REPORT ON REVIEW OF COMPENSATION CASES

Mr. JONAS. Mr. Administrator, I call your attention to the report of the GAO of December 1964, dealing with recommendations made to review your compensation cases. GAO calls attention to Public Law 88–445 enacted August 19, 1964, providing that disability which has been continuously rated above 20 percent or more shall not thereafter be rated at less than that percentage, which seems to have the effect of freezing all ratings at 20 percent——

Mr. STRATTON. Twenty years.

Mr. JONAS. Twenty or more years.

GAO says, "If you do not review these ratings between now and June 30, 1966, all these cases will be frozen, and that as of June 30, 1965, only 36 percent would be frozen." They call attention to the fact that in your previous review of these ratings the result was a net annual saving to the Government of $54.8 million. They recommend that you immediately begin a review of these cases before this freeze goes into effect on all of them. What do you have to say about that, sir?

Mr. DRIVER. The review they refer to that resulted in the savings figure was conducted starting in 1959 over a 6-year period, and it reviewed all ratings that had been made actually since the end of World War II through 1965. This meant that as of 1961 all cases had been reviewed.

What they are talking about here is the fact that we are not making a total review of every case on the rolls involving a change that we may have made in the rating schedule since 1959, and we have made very few changes in the schedule. It is our feeling that we have not got such a backlog that we cannot wait until we come through with the total economic review of the schedule and still be in a position to review these individual cases, if we want to, before any freeze sets in. We do not disagree with the idea that eventually we can make the review; it is just a matter of when it will be done.

Mr. JONAS. You think you will have ample time. When does this freeze go into effect?

Mr. DRIVER. It would come at various times, depending on the length of the rating.

Mr. STRATTON. It was August of 1964 when it went in.

Mr. DRIVER. It has a different date for each case.

Mr. JONAS. I guess that is the basis for the statement that through June 30, 1965, at least 36 percent would be frozen.

Mr. DRIVER. It is our feeling we can review these as they come up to the anniversary date.

Mr. JONAS. You do not plan an overall agencywide review of all of them?

Mr. DRIVER. Not unless this rating schedule change would result in a major change for all cases. Then we would propose a total review.

GAO REPORT ON IMPROPER ISSUANCE OF INSURANCE

Mr. JONAS. There is another report by Mr. Campbell that interested me. I call your attention to it. It is dated October 22, 1964, and deals with improper issuance of life insurance to service-disabled veterans. I think you and the Comptroller General have had a collision with respect to legal opinions.

Mr. DRIVER. Yes, sir.

Mr. JONAS. On this point. He contends as of June 30, 1963, an estimated 22,000 policies had been improperly issued with a face amount of $189 million in insurance. He contends that the law is clear and the implications ought to be clear that this insurance was intended to apply to or be available only to veterans with service-connected disabilities if those disabilities rendered them uninsurable, and that you have construed it to apply to veterans with service-connected disabilities which did not make them uninsurable.

Mr. DRIVER. That is right. In other words, we would go down to 10 percent, flat feet, which would not make you uninsurable.

Mr. JONAS. He lists some examples:

> The following tabulation lists examples of typical insurance policies issued to persons who met VA good health standards and description of service-connected disability:
>
> $5,000 policy, a man with head scar from cyst;
> $10,000 policy, wrinkles from dermatitis on the ankle;
> $10,000 policy for man with a scar on his left arm.

And flat feet and varicose veins, and so forth.

Mr. THOMAS. What is your explanation?

Mr. DRIVER. It is a matter of legal interpretation of who is eligible for the insurance. These people are paying premiums, of course. I am relying on the legal advice of our General Counsel, which has been controlling in the adjudication of these cases over a 12-year period.

We have presented this issue and our interpretation to the House committee——

Mr. THOMAS. The purpose is to give the insurance to the man who cannot go out and get it in the open market.

Mr. DRIVER. We interpret it as not saying that to us, and that is the reason——

Mr. THOMAS. What is the purpose of the act then, if it is not that?

Mr. DRIVER. The purpose of this act, as we construe it, is to say that anybody who has a service-connected disability, no matter how disabled, is eligible for this insurance.

Mr. THOMAS. That does not make any sense, does it?

Mr. DRIVER. This is what we think it says. And incidentally, that is what the new law says. The Congress has just passed another law that permits people who do not have insurance, who dropped out, to reopen it, and the same conditions prescribed here prevail in that law.

Mr. JONAS. I am not going to read the whole report, but they trace the history of this legislation and come to the conclusion that it was the intention only to make it available for veterans considered uninsurable——

Mr. DRIVER. Yes.

Mr. JONAS (continuing). Under VA health standards "because of service-connected disabilities."

Mr. DRIVER. This we would consider to be a very harsh construction of the law. Liberally construing the statute to the benefit of the veteran, we would feel our construction stands.

Mr. THOMAS. The veteran did not need that law, then. If he is insurable, he can go out and get insurance without this law. This gives him a reduced rate.

Mr. DRIVER. It is a benefit available to him because of the fact he has a service-connected disability.

Mr. JONAS. I want to call attention to this quotation he makes from testimony given before this committee last year. Maybe it was you or Mr. Gleason. He does not say who is quoted, but this is the quotation:

> This insurance is available to veterans with a service-connected disability which makes them ineligible for commercial insurance.

Mr. DRIVER. That is only true as far as it goes. It is also available to those with service-connected disabilities that do not make them ineligible for commercial insurance. This is the way we have issued policies over a 12-year period.

Mr. JONAS. I do not know how we can resolve this. The General Accounting Office is construing the law in a way that is different than you construe it. You already have $189 million in insurance outstanding based on your interpretation. He says it is illegal, erroneous. I do not know but what this matter ought not to be in some way resolved before any more liability is incurred.

Mr. DRIVER. May I have our General Counsel speak to this?

Mr. JONAS. Certainly.

Mr. FABLE. If I may, the particular interpretation which is called into question by the Comptroller General is one which was adopted by the Veterans Administration in September of 1951, and the policies which are referred to in the report are policies which were issued based on that liberal construction, admittedly liberal construction, of the statute.

Based on that, we issued this insurance to some veterans who have a service-connected disability, that is, zero in percent and who are insurable.

Now we come to a very nice question: Either we are correct in our interpretation of the statute, which we made in 1951 and we have followed ever since, or the Comptroller is correct. And because there was that issue the legislative committee, which had the responsibility for initiating the legislation which we construed, held a hearing on the very report, sir, that you refer to, in April. At that time the then Chief Benefits Director——

Mr. JONAS. Last year?

Mr. FABLE. 1964; yes, sir.

Mr. JONAS. This report did not come out until October.

Mr. FABLE. I know, sir, but at that point in time we already had their preliminary report, and we knew what their position was, we knew what our position was, and we knew there was a head-on collision as to what the correct interpretation of the controlling law was.

Mr. JONAS. With all due respect to the legislative committee, I do not think it is constituted to interpret the legal effect of the statute. Have you asked the Attorney General for a ruling on this?

Mr. FABLE. No, sir; because the Congress in its wisdom has seen fit to delegate that authority to the Administrator and to make it very clear that the Comptroller General's authority in this area is subsidiary to the Administrator's.

Mr. JONAS. What is the citation there?

Mr. FABLE. Title 38, sir, in the section on finality of decision.

Mr. THOMAS. His decisions on compensation and pension are final.

Mr. FABLE. These questions over the years where there have been differences of opinion between the Comptroller and the Administrator have caused the Congress to decide, and it is now provided in section 211 of title 38, that the decisions of the Administrator on any question of law or fact concerning a claim for benefits or payments under any law administered by the Veterans Administration shall be final——

Mr. THOMAS. You are talking about compensation and pensions?

Mr. FABLE. Benefits and payments, sir.

Mr. JONAS. Does it apply to insurance?

Mr. FABLE. Yes. Under any law administered by the Veterans Administration his decision shall be final and conclusive.

Mr. THOMAS. You do not pay insurance. The company pays the insurance.

Mr. FABLE. No other official or any court of the United States shall have the power or jurisdiction to review any such decision except the court review of insurance cases provided by section 784. Furthermore, in section 785, which applies specifically to insurance, there is the provision, and I quote:

> Except in the event of suit as provided in section 784 of this title, or other appropriate court proceedings, all decisions rendered by the Administrator under the provisions of this chapter shall be final and conclusive on all questions of law and fact, and no other official of the United States shall have the jurisdiction to review any such decision.

Mr. THOMAS. Read that section back, now.

Mr. FABLE. Section 785 of title 38:

> Except in the event of suit as provided in section 784 of this title, or other appropriate court proceedings, all decisions rendered by the Administrator under the provisions of this chapter shall be final and conclusive on all questions of law and fact, and no other official of the United States shall have——

Mr. THOMAS. You mentioned insurance.

Mr. FABLE. This is the insurance chapter I am reading from. This is section 785, which is in the portion of title 38 which deals with insurance benefits. May I hand it to the chairman?

Mr. THOMAS. They repeat compensation.

Mr. FABLE. If I may go one step further, the legislative committee was so confident that the liberal interpretation given the existing statute by the Veterans Administration was correct that when they recently came to the question of reopening national service life insurance, under Public Law 88–664, they used the identical restrictive language which the Comptroller objected to, expressly for the purpose of giving it the liberal construction which we had given the prior statute. This now appears in section 725 of title 38.

We recognize this is a practical determination and not a legal proposition. First, the committee cannot speak for the Congress and, secondly, it cannot give a legislative intent to legislation that was enacted years ago, but we certainly feel, and take a great deal of comfort in the fact, that the legislative committee believes that we have appropriately interpreted and given a liberal interpretation to this beneficial statute.

Mr. JONAS. I call your attention to one other report——

Mr. EVINS. If I might interject, there will be no resolution of this issue unless a suit is filed.

Mr. FABLE. There will be none. There would be no occasion for a suit to be filed. We are giving the most liberal construction to the law.

Mr. DRIVER. The beneficiary would not file.

Mr. EVINS. No.

Mr. JONAS. I would think—and I am not running the Veterans Administration—if there is that much controversy and it involves such vast sums of money, you would not be adverse to——

Mr. DRIVER. This is under an actuarially sound insurance paid for by the veterans themselves. All you are talking about here is whether they should have the privilege of getting insurance at a lower rate. They pay for it themselves.

Mr. JONAS. I know that. The payment of the insurance comes out of the trust fund.

Mr. DRIVER. Premiums which are paid in by the insureds.

Mr. JONAS. That is right. I know what is involved. All beneficiaries pay into it.

Mr. FABLE. The Comptroller, sir, has never suggested that the policies that have been issued be in any way set aside. He is talking about the future, and that is the question to which the legislative committee and the Congress——

GAO REVIEW OF EXTRAHAZARD DETERMINATIONS

Mr. JONAS. You could not set aside a contract. He is talking about future decisions.

He also cites the fact that the result of his examination or review of the extrahazard determinations made by the VA, field review, show—

> We estimate that the national service life insurance and the U.S. Government life insurance trust funds have received more than $100 million of excessive Federal contributions during fiscal years 1946–63.

And he bases that on the fact that he says you have determined that all deaths or disabilities resulting from the performance of military duty meet the test of extra hazards of military service regardless of whether he was killed while he was in a civilian automobile or walking down the street or on leave, just if he was in the military service. And by that construction you pay out of appropriated funds into the insurance trust fund this sum of money. Is that correct?

Mr. DRIVER. Yes, sir. And we do this, Mr. Jonas, under an arrangement whereby, after publishing the regulation in 1935 and furnishing it to the General Accounting Office, we at their request over a long period of years thereafter submitted cases for their review, to which they took no exception. And we feel that now to go back and try to change the rules of the game that were in effect at the time we adjudicated these cases and they reviewed them and passed them is not possible.

Mr. JONAS. What about future cases?

Mr. STRATTON. I think now, Congresman, the GAO and the VA are much more square on what extra hazards mean.

Mr. DRIVER. We indicated in our report that we agreed we would take all logical action to change in the future, as we look at these

cases, but we would still stick by the decisions that were correct under rules in effect at that time.

Mr. JONAS. Do you take the position that all military service is extrahazardous?

Mr. DRIVER. No; we do not.

Mr. JONAS. That is the burden of his complaint, that you do, and it has resulted in your paying $100 million into the trust fund out of appropriated funds.

Mr. DRIVER. In the cases I referred to—in the long past we took the position that in general the nature of military service requiring the insureds to go from place to place to perform their duties without regard to their preference or without regard to personal risk, traveling by aircraft for example, was hazardous duty.

Mr. JONAS. I would like to correct a statement I made before. He did not charge that the whole $100 million was, but he says of the $100 million you have paid into the trust fund out of appropriated funds about $30 million, he thinks, was incorrectly paid because of this construction that any death resulting while in military service is extrahazardous.

Mr. DRIVER. We do not say any death, but we say there are accident-type cases that clearly fall within the extrahazard rule and should be paid that way.

Mr. JONAS. Would you extend that to include——

Mr. DRIVER. All military air travel, for example, we hold to be due to extra hazards.

Mr. JONAS. All air travel?

Mr. DRIVER. Is that not right?

Mr. STRATTON. Yes, military air travel.

Mr. JONAS. I think he mentions that.

Mr. DRIVER. There has been a difference over this, but we feel this is appropriate.

Mr. JONAS. That is very liberal construction. I thought the general acceptance of air travel now—do they not say there are fewer deaths in air accidents than on the highways?

Mr. DRIVER. They do not have any insurance-dispensing machines in railroad stations, but they are all over the air terminals. I think, generally speaking, there is a psychological feeling of embarking on some risk when you are embarking on an aircraft.

Mr. JONAS. One FAA administrator told us that in a given year more people were killed riding to and from airports in automobiles than airplanes.

Mr. DRIVER. But how many per capita in the area? I do not know what the percentage of risk is, but I do think in our society there is a feeling that in air travel there is a risk that is not inherent in automobile vehicle travel.

Mr. JONAS. Thank you.

## CONSTRUCTION

## Construction of Hospital and Domiciliary Facilities

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | VETERANS ADMINISTRATION | | | |
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 4,308 | 4,698 | 4,736 |
| 11.3 | Positions other than permanent | 587 | 660 | 659 |
| 11.5 | Other personnel compensation | 34 | 35 | 35 |
| | Total personnel compensation | 4,929 | 5,393 | 5,430 |
| 12.0 | Personnel benefits | 331 | 365 | 369 |
| 21.0 | Travel and transportation of persons | 143 | 156 | 179 |
| 22.0 | Transportation of things | 7 | 7 | 7 |
| 23.0 | Rent, communications, and utilities | 48 | 48 | 48 |
| 24.0 | Printing and reproduction | 29 | 29 | 35 |
| 25.1 | Other services | 6,737 | 6,603 | 6,634 |
| 25.2 | Services of other agencies | 504 | 504 | 4 |
| 26.0 | Supplies and materials | 354 | 370 | 370 |
| 31.0 | Equipment | 3,336 | 3,009 | 3,012 |
| 32.0 | Lands and structures | 57,004 | 62,849 | 77,013 |
| | Total costs, funded | 73,422 | 79,333 | 93,101 |
| 94.0 | Change in selected resources | 37,534 | 39,100 | 4,451 |
| | Total obligations, Veterans Administration | 110,956 | 118,433 | 97,552 |
| | ALLOCATION TO DEFENSE—CIVIL—ARMY | | | |
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 52 | 161 | 50 |
| 11.5 | Other personnel compensation | 1 | 1 | |
| | Total personnel compensation | 53 | 162 | 50 |
| 12.0 | Personnel benefits | 4 | 12 | 4 |
| 25.3 | Payments to Revolving Fund, Corps of Engineers—Civil | 85 | 102 | 12 |
| 26.0 | Supplies and materials | 2 | 5 | |
| 32.0 | Lands and structures | 1,837 | 3,480 | 104 |
| | Total costs, funded | 1,981 | 3,761 | 170 |
| 94.0 | Change in selected resources | −1,649 | −2,382 | −104 |
| | Total obligation, Army—Civil | 332 | 1,379 | 66 |
| 99.0 | Total obligations | 111,288 | 119,812 | 97,618 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| VETERANS ADMINISTRATION | | | |
| Total number of permanent positions | 508 | 508 | 508 |
| Full-time equivalent of other positions | 68 | 75 | 75 |
| Average number of all employees | 553 | 575 | 575 |
| Average GS grade | 9.2 | 9.2 | 9.2 |
| Average GS salary | $8,971 | $9,355 | $9,436 |
| ALLOCATION TO DEFENSE—CIVIL—ARMY | | | |
| Total number of permanent positions | 6 | 21 | 6 |
| Average number of all employees | 6 | 20 | 6 |
| Average GS grade | 8.0 | 8.0 | 8.0 |
| Average GS salary | $7,890 | $8,190 | $8,265 |

*Program and financing*

[In thousands of dollars]

| | Costs to this appropriati | | | | | Analysis of 1966 financing | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total estimate | To June 30, 1963 | 1964 actual | 1965 estimate | 1966 estimate | Deduct selected resources and unobligated balance, start of year | Add selected resources and unobligated balance, end of year | Appropriation required for 1966 | Appropriation required to complete |
| Program by activities: | | | | | | | | | |
| 1. Hospitals: | | | | | | | | | |
| (a) New | 91,231 | 74,518 | 11,479 | 3,063 | 518 | 2,171 | 1,653 | | |
| (b) Replacement and relocation | 406,913 | 66,692 | 25,215 | 44,062 | 50,607 | 139,788 | 138,714 | 49,533 | 81,623 |
| (c) Modernization | 145,018 | 67,505 | 12,128 | 13,648 | 15,818 | 19,119 | 25,069 | 21,768 | 10,850 |
| (d) Other improvements | 100,175 | 18,178 | 21,156 | 17,463 | 14,121 | 15,336 | 13,832 | 12,617 | 15,425 |
| 2. Domiciliaries | 7,937 | 326 | 1,423 | 51 | 100 | | 400 | 500 | 5,637 |
| 3. Nursing homes | 10,000 | | | 1,000 | 3,600 | 4,000 | 5,400 | 5,000 | |
| 4. Research facilities | 19,701 | 2,260 | 1,767 | 1,700 | 6,453 | 7,931 | 7,060 | 5,582 | 461 |
| 5. Experimental hospital facilities | 475 | 23 | 376 | 76 | | | | | |
| 6. Other facilities | 156 | 18 | 30 | 61 | 47 | 47 | | | |
| 7. General administration | 5,839 | | 1,829 | 1,970 | 2,007 | 34 | 33 | 2,006 | |
| Total program costs | 787,445 | 229,520 | 75,403 | 83,094 | 93,271 | 188,426 | 192,161 | 97,006 | 113,996 |
| Change in selected resources [1] | | | 35,885 | 36,718 | 4,347 | | | | |
| 10 Total obligations | | | 111,288 | 119,812 | 97,618 | | | | |
| Financing: | | | | | | | | | |
| 16 Comparative transfers from other accounts | | | −1,814 | −1,965 | | | | | |
| 21 Unobligated balance available, start of year | | | −72,589 | −39,911 | −20,167 | | | | |
| 24 Unobligated balance available, end of year | | | 39,911 | 20,167 | 19,555 | | | | |
| 40 New obligational authority (appropriation) | | | 76,796 | 98,103 | 97,006 | | | | |

| | | | | |
|---|---|---|---|---|
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 111,288 | 119,812 | 97,618 |
| 70 | Receipts and other offsets (items 11-17) | −1,814 | −1,965 | |
| 71 | Obligations affecting expenditures | 109,474 | 117,847 | 97,618 |
| 72 | Obligated balance, start of year | 103,425 | 142,574 | 180,421 |
| 74 | Obligated balance, end of year | −142,574 | −180,421 | −185,539 |
| 90 | Expenditures | 70,325 | 80,000 | 92,500 |

[1] Selected resources as of June 30 are as follows:

| | 1963 | 1964 | 1965 | 1966 |
|---|---|---|---|---|
| Unpaid undelivered orders | 93,450 | 129,885 | 166,703 | 171,150 |
| Advances | 2,206 | 1,656 | 1,556 | 1,456 |
| Total selected resources | 95,656 | 131,541 | 168,259 | 172,606 |

## Summary of Construction Program

Mr. Evins. We will now commence the discussion of hospital construction. You are asking, Mr. Administrator, for $97,006,000 in 1966 to finance new obligation for starting hospital construction. Insert pages 1–4 through 1–8.

(The pages follow:)

### General Statement

These funds provide for the construction of replacement and relocation of existing hospitals and domiciliaries, acquisition of sites, modernization and other improvements, alterations and additions for medical research facilities, nursing home beds, regional offices, supply depots, and data processing centers, including construction administrative and related staff activities. This estimate is for the sixth increment for financing a 15-year program to modernize the hospital system. While this program will be primarily for improvements to the older (pre-World War II) hospitals, it will also provide for replacement of 12 hospitals acquired from military surplus, for air conditioning where indicated, and for the correction of deficiencies in post-World War II hospitals as necessary to bring them up to more modern standards.

A construction program of $97,006,000 is recommended for 1966 to be financed with new obligational authority. The funds requested are for the following programs and projects:

| | |
|---|---|
| Replacement and relocation hospitals: | |
| Chicago, Ill. (760 beds), construction and technical services | $17,093,000 |
| Columbia, Mo. (480 beds), construction and technical services | 11,815,000 |
| Northport, N.Y. (480 bed hospital, phase I), construction and technical services | 15,109,000 |
| Hines, Ill. (1,220 beds, phase I), balance, construction and technical services | 1,000,000 |
| Los Angeles, Calif. (1,040 beds), balance, construction and technical services | 1,013,000 |
| Long Beach, Calif. (1,160 beds, phase I), balance, construction and technical services | 703,000 |
| Long Island, N.Y. (1,000 beds), site | 1,000,000 |
| San Antonio, Tex. (760 beds), technical services | 800,000 |
| San Diego, Calif. (1,040 beds), technical services | 1,000,000 |
| Subtotal | 49,533,000 |
| Modernization and other improvements: | |
| Projects for which planning is in process, construction and technical services | 24,819,000 |
| New projects, construction and technical services | 9,566,000 |
| Subtotal | 34,385,000 |
| Domiciliary: Wood, Wis., modern hospital for domiciliaries, technical services | 500,000 |
| Nursing homes (various stations), construction and technical services | 5,000,000 |
| Research: | |
| Projects for which planning is in process, construction and technical services | 3,392,000 |
| New projects, construction and technical services | 2,190,000 |
| Subtotal | 5,582,000 |
| Administration and related staff activities | 2,006,000 |
| Total appropriation request | 97,006,000 |

In accordance with the Government's policy to provide fallout shelter facilities in new construction, funds are included in this estimate for fallout shelter facilities as follows: For construction and planning Northport, N.Y., $68,800; for

planning only, San Antonio, Tex., $7,500; San Diego, Calif., $7,500; and Lexington, Ky., $6,300. We estimate that a total of $245,000 will be requested in future budgets to complete construction of the shelter facilities at the latter three stations.

It is recommended that the appropriation limitation for technical services for the replacement of the general medical and surgical hospital at Nashville, Tenn., be reduced from $921,000 to $846,600 since $74,400 is not needed for that purpose. The release of this money from the limitation will make it available for application to other necessary construction projects.

*Summary of request, fiscal year 1966*

| | Total cost | 1966 request |
|---|---|---|
| Construction activities: | | |
| New projects: | | |
| Replacement and relocation hospitals | $69,159,000 | $2,800,000 |
| Modernization of hospitals | 10,459,000 | 1,959,000 |
| Other improvements at hospitals | 8,767,000 | 7,607,000 |
| Domiciliaries | 6,137,000 | 500,000 |
| Nursing homes | 5,000,000 | 5,000,000 |
| Research | 2,190,000 | 2,190,000 |
| Total new projects | 101,712,000 | 20,056,000 |
| Projects in process: | | |
| Replacement and relocation hospitals | 111,936,000 | 46,733,000 |
| Modernization of hospitals | 23,757,000 | 19,809,000 |
| Other improvements at hospitals | 5,058,000 | 5,010,000 |
| Research | 3,721,000 | 3,392,000 |
| Total continuing projects | 144,472,000 | 74,944,000 |
| Total construction activities | 246,184,000 | 95,000,000 |
| General administration | 2,006,000 | 2,006,000 |
| Total request | 248,190,000 | 97,006,000 |

*Comparative summary of requirements by object*

| | Fiscal year 1964 actual | Fiscal year 1965 estimated | Fiscal year 1966 estimated | Increase (+) or decrease (−), 1966 over 1965 |
|---|---|---|---|---|
| Veterans Administration: | | | | |
| 11 Personnel compensation | $4,929,320 | $5,393,470 | $5,429,680 | +$36,210 |
| Permanent positions | (4,342,478) | (4,733,670) | (4,771,180) | (+37,510) |
| Positions other than permanent | (586,842) | (659,800) | (658,500) | (−1,300) |
| 12 Personnel benefits | 331,424 | 364,660 | 369,320 | +4,660 |
| Total personnel compensation and benefits | 5,260,744 | 5,758,130 | 5,799,000 | +40,870 |
| 21 Travel and transportation of persons | 143,427 | 155,500 | 178,500 | +23,000 |
| 22 Transportation of things | 6,523 | 7,000 | 7,000 | |
| 23 Rent, communications, and utilities | 48,052 | 48,500 | 48,500 | |
| 24 Printing and reproduction | 28,837 | 29,000 | 35,000 | +6,000 |
| 25 Other services | 5,047,140 | 3,606,500 | 3,125,000 | −481,500 |
| 26 Supplies and materials | 354,095 | 370,000 | 370,000 | |
| 31 Equipment | 7,258,368 | 1,205,270 | 933,000 | −272,270 |
| 32 Lands and structures | 92,809,659 | 107,253,100 | 87,056,000 | −20,197,100 |
| Total, Veterans Administration | 110,956,845 | 118,433,000 | 97,552,000 | −20,881,000 |
| Department of Defense, civil, Army | 331,627 | 1,379,000 | 66,000 | −1,313,000 |
| Total obligations | 111,288,472 | 119,812,000 | 97,618,000 | −22,194,000 |
| Comparative transfer from medical administration and miscellaneous operating expenses | −1,814,011 | −1,965,000 | | +1,965,000 |
| Unobligated balance brought forward | −72,589,178 | −39,910,717 | −20,166,717 | +19,744,000 |
| Unobligated balance carried forward | +39,910,717 | +20,166,717 | +19,554,717 | −612,000 |
| Total new obligational authority | 76,796,000 | 98,103,000 | 97,006,000 | −1,097,000 |

*Summary of average employment*

| | Fiscal year 1964 actual | Fiscal year 1965 estimated | Fiscal year 1966 estimated | Increase (+) or decrease (−), 1966 over 1965 |
|---|---|---|---|---|
| Construction activities: | | | | |
| Design and specifications | 132 | 136 | 136 | |
| Construction supervision | 186 | 195 | 195 | |
| Construction labor | 67 | 75 | 75 | |
| Subtotal | 385 | 406 | 406 | |
| General administration: | | | | |
| Preliminary planning | 104 | 104 | 104 | |
| Administration and staff activities | 60 | 61 | 61 | |
| Subtotal | 164 | 165 | 165 | |
| Total, Veterans Administration | 549 | 571 | 571 | |
| Department of the Army | 6 | 20 | 6 | −14 |
| Total | 555 | 591 | 577 | −14 |

CONSTRUCTION PROGRAM

Mr. EVINS. These funds are to provide for the construction, replacement, and relocation of existing hospitals and domiciliaries; acquisition of sites; modernization and other improvements, alterations, and additions for medical research facilities, nursing home beds, regional offices, supply depots, and data processing centers, including construction administrative and related staff activities. You say this estimate is for the sixth increment for financing a 15-year program. We discussed that earlier. It was a 12-year program and now you have stretched it out to 15 for the hospital system.

While this program will be primarily for improvements to the older (pre-World War II) hospitals, it will also provide for replacement of 12 hospitals acquired from military surplus, for air conditioning where indicated, and for the correction of deficiencies in post-World War II hospitals as necessary to bring them up to more modern standards.

Air conditioning, fallout shelters. You have really expanded this original hospital program to a very extensive program.

These are shown on page 1–4. Nine hospitals are scheduled for replacement and relocation for a total of $49,533,000. Is that correct?

Mr. MONK. That is correct, sir.

Mr. EVINS. Beside your nine which are for replacement and relocation, you also have plans for a great number of other projects?

Mr. MONK. Yes, sir. If you look at pages 1–18 and 1–19.

Mr. EVINS. Yes. Page 1–18 shows the modernization program. There are three: one in Lexington, Ky., one in Palo Alto, Calif., and one in Tuskegee, Ala. And then your other improvements.

How many facilities are included in this?

Mr. MONK. I would say roughly 50.

Mr. EVINS. I think that is correct.

Then you have domiciliaries—one in Wisconsin. Is this a replacement?

Mr. MONK. This is to modernize the old hospital there. We are building a new hospital in Wood, Wis., and we are modernizing the old one into a domiciliary.

Mr. EVINS. Nursing homes, various stations. You do not list any number, but you list the number of beds.

Mr. MONK. Yes, sir.

Mr. EVINS. On page 1–19 you list eight research projects—new construction.

Mr. MONK. Yes, sir; these are new projects.

REPLACEMENT AND RELOCATION OF HOSPITALS

Mr. EVINS. You have a total of nine for replacement and relocation? Are they presently under construction?

Mr. MONK. Yes, sir—no; only three.

Mr. EVINS. Only three presently?

Mr. MONK. Three new hospitals coming in this year, but none of these nine are now under construction.

Mr. EVINS. They are planned for next year?

Mr. MONK. Yes, sir.

Mr. ASHBRIDGE. Long Beach is actually under construction, for which we are asking additional funds.

Mr. MONK. That is on the next page, page 1–20.

Mr. EVINS. What is the need? You have a 760-bed hospital in Chicago, construction and technical services $17 million; Columbia, Mo., 480-bed hospital, construction and technical services $11,800,000; and Northport, N.Y., 480-bed hospital; phase 1. Are the other hospitals phase 2—Chicago and Columbia, Mo.?

Mr. MONK. No; these are brandnew hospitals.

Mr. EVINS. Hines, Ill., 1,220-bed hospital, phase 1. Los Angeles——

Mr. MONK. Los Angeles is a brandnew hospital to be built across from the University of Southern California Medical School.

Mr. EVINS. Long Beach, Calif., 1,160-bed hospital, phase 2; Long Island, N.Y., 1,000-bed hospital; San Antonio, Tex., 760-bed hospital, and San Diego, Calif., 1,040-bed hospital.

Are all of these located near medical centers?

Mr. MONK. Every one of them except Long Beach, which is about 20 miles, of course, from Los Angeles. At San Diego the University of California is putting in a new medical school.

Mr. EVINS. You are deviating from your policy in two instances, the policy of establishing near medical centers, and you find these cases call for flexibility and an exception in two instances.

Mr. MONK. No, sir; the reason these hospitals are at San Antonio and San Diego is that medical schools are going in there.

Mr. EVINS. In the future.

Mr. DRIVER. They are more up to date with their plans than we are with the hospital plans.

Mr. MONK. These are certainties, as much as anything can be a certainty, and we are working right with the university architects and planners to fit these hospitals right into the medical centers.

Mr. EVINS. Are they all going to be G.M. & S. hospitals?

Mr. MONK. Most of them have NP beds.

COMBINING G.M. & S. AND NP BEDS IN HOSPITALS

Mr. EVINS. Is your policy with respect to construction of NP hospitals one that provides also for building them only near medical schools, colleges, universities?

Mr. MONK. NP?

Mr. EVINS. Yes.

Mr. MONK. Our policy now, insofar as possible, is not to build any more purely NP hospitals but to build general hospitals and put NP beds in those hospitals.

Mr. EVINS. Therefore, any future construction carrying NP hospitals would be near medical centers?

Mr. MONK. That is right, except we will have to modernize some of the existing NP hospitals, but we will put general medical and surgical beds to a limited extent in those hospitals to take care of the mental patients' other needs, and a limited amount of general medical needs in the area.

Mr. EVINS. You go uphill and downhill on your policy.

Mr. MONK. No.

Mr. EVINS. A few years ago your policy was to locate in the remote areas, more restful, ready for rehabilitation and recovery, less strain, less tension, more relaxed atmosphere.

Mr. DRIVER. The same with TB beds, Mr. Evins.

Mr. JONAS. Will the gentleman yield?

Mr. EVINS. Yes.

Mr. JONAS. I know this is a policy matter, but I would like to get your thinking on why you now are changing your policy from building NP hospitals which would be staffed by specialists in that field and planning to put some NP beds in all G.M. & S. hospitals, which would require, I would think, extra staffing in all of your G.M. & S. hospitals to put in a psychiatric department.

Dr. MCNINCH. This is not true, Mr. Jonas. The 240 NP beds in a general hospital will be staffed with the same type of personnel, psychiatric treatment personnel, as in a 100-percent psychiatric hospital, but there will be available to that psychiatric staff the broad range of specialties and special equipment for diagnostic and therapeutic purposes that are available in G.M. & S. hospitals. At the same time, for G.M. & S. patients there will be available a greater availability of psychiatric capability on a consultation basis.

AVAILABILITY OF PSYCHIATRISTS

Mr. JONAS. Do you figure this will increase your requirement for doctors in the field of psychiatry?

Dr. MCNINCH. I do not know it will increase our requirements. Our problem at the present time is that we are not anywhere able to meet our requirements in this field.

Mr. JONAS. That is what I thought. Now you cannot even meet your requirements in NP hospitals. How are you going to put an NP capability in every G.M. & S. hospital, which will add to your problem of staffing, will it not?

Dr. MCNINCH. I do not think it will change that part of it. Actually, it is easier, with the same pay, to attract psychiatrists into a teach-

ing hospital and a research hospital because we have something to offer the psychiatrist other than just the opportunity for psychiatric care. He has the opportunity of educational and better scientific environment.

Mr. JONAS. I would think you would have moved in the other direction, putting some G.M. & S. beds in your psychiatric hospitals rather than this way.

Dr. MCNINCH. We are doing this, too.

Mr. JONAS. Then you are going to be staffing all of your hospitals with NP capability and G.M. & S. capability, too?

Dr. MCNINCH. That is right. As we come to this, it is not only in the Veterans Administration, it is a general trend in policy in non-Federal medicine in the Nation.

Mr. JONAS. Thank you, Mr. Chairman.

Mr. EVINS. You do not necessarily have to follow the general trend and go with the crowd. You are supposed to pioneer a little, too, are you not?

Dr. MCNINCH. We think we do, sir.

Mr. EVINS. Research projects for which planning is in process, $5,582,000. What are these?

HOSPITAL COST ESTIMATES

Mr. THOMAS. Before you leave the brandnew hospitals, Mr. Evins, let's look into the cost now. He is looking for about $49.5 million here now, but these hospitals are going to cost in the neighborhood of an additional $180 million. I have forgotten exactly the figure.

These are what we call drawing board estimates. There is not a contractor estimate in here. You are going to wrap up this with a firm fixed contract even though it takes 3 to 5 years to finish it, and you and the contractor set a figure when you get through. How much fat is there in here? How much can the figures be cut, 10 or 15 percent?

Mr. MONK. None.

Mr. THOMAS. How do you know? We see a lot of construction work contracts in here every year.

Mr. MONK. We know, Mr. Chairman. We are making these estimates on today's costs. We know that the costs are going up.

Mr. THOMAS. Whose costs? The contractor has not made any figures here. That is your figure.

Mr. MONK. I know, but we have been building hospitals, and we have been contracting for them and we have not been far off on these costs.

SPACE IN HOSPITALS

Mr. THOMAS. How much usable space is in each one of these against the entire square footage? We want to know something about them. We do not want you to build country clubs, we want you to build good usable buildings.

Mr. MONK. I believe we are doing that.

Mr. THOMAS. We have seen some that look like country clubs, with spacious lobbies and everybody with a big office.

Let's run through this list. What is the total square footage and the usable square footage in the Chicago building?

Mr. ASHBRIDGE. Our average for the last eight hospitals we built was 722 square feet per bed. That compares favorably with the Hill-Burton hospitals. We have 84 of those we took their records on, and they average 801 square feet per bed.

Mr. THOMAS. Colonel, that does not answer the question. You have restrooms, you have nurseries, you got this, that, and the other. You got consultation offices on this floor and on that floor. What does it all add up to?

Mr. ASHBRIDGE. At Chicago, for example, the total area is 513,140 square feet, which comes out to——

Mr. THOMAS. Divide the overall space by the number of beds and you say it comes out to 722 square feet per bed. But that does not quite get the job done.

Mr. ASHBRIDGE. I do not have the square feet per bed on all of these, but I can very easily furnish it to you, sir.

Mr. THOMAS. No, we do not want the square feet per bed. We figure you are going to have a bedroom in there, and unless it is a suite it is 16 by 17 or 16 by 18 or 16 by 20. Your bedrooms are going to follow that pattern unless they are for singles, or something like that.

Mr. ASHBRIDGE. Most of our hospitals now are based on four beds to the room.

Mr. THOMAS. Ward type.

Mr. ASHBRIDGE. Not large wards. We used to have 16-bed wards.

Mr. THOMAS. And now they are four-bed wards.

Mr. ASHBRIDGE. Four-bed wards.

Mr. THOMAS. Do you have any singles?

Mr. ASHBRIDGE. A few singles and a few with two to the room, but the vast majority of them are four beds to the room.

Mr. THOMAS. What is the nature of the construction?

Mr. ASHBRIDGE. Concrete or steel frame and masonry walls.

Mr. THOMAS. Are they all air conditioned?

Mr. ASHBRIDGE. No, sir.

### HOSPITAL COMMUNICATION SYSTEMS

Mr. THOMAS. Do you have speaking tubes from the rooms to the nurse's desk?

Mr. MONK. We have a paging system.

Mr. THOMAS. Signal systems?

Mr. MONK. Yes.

Mr. ASHBRIDGE. We also have intercommunicating systems.

### BASIS OF COST ESTIMATES

Mr. THOMAS. You do not mean to say these figures are firm here? There is no living man that can come up with a $17,100,000 estimate here and it cannot be reduced a little bit. Are the plans already drawn for all of the hospitals?

Mr. ASHBRIDGE. Not for all of these.

Mr. THOMAS. How do you know what they are going to cost if you do not have the plans drawn?

Mr. ASHBRIDGE. We have the preliminary plans, and from our experience over the years we know how much other hospitals have cost. We have arrived at a national average.

Mr. THOMAS. You have wasted a lot of money in some of your hospitals, too.

(Discussion off the record.)

Mr. EVINS. At best, these are just estimates?

Mr. ASHBRIDGE. These are estimates, but we believe they are good estimates.

Mr. JONAS. This is $22,500 a bed.

Mr. THOMAS. Gentlemen, turn a few pages and get to the prospectus on one or two of these hospitals. They have a very good prospectus for each one of them, showing the square footage and what it cost. They are divided into NP and GMS beds. They do not have any tubercular beds in here.

Off the record.

(Discussion held off the record.)

## LONG-RANGE CONSTRUCTION PROGRAM

Mr. MONK. On page 1–11, the question came up yesterday about how far along we were with this 15-year program——

Mr. EVINS. Yes.

Mr. MONK (continuing). And this table shows total long-range construction plans, $1,265,052,000, and through 1965 we had appropriated against that $397,968,000, with $90 million in this budget, which will bring us up to $487,968,000 and leave in the total long-range plan unfinished $777 million.

Mr. EVINS. You are not even half through.

Mr. MONK. No, sir; that is what I told you yesterday.

Mr. EVINS. We will put the chart on page 1–11 in the record.

Mr. ASHBRIDGE. There is a typographical error on the bottom line, the middle column. Where it says 47 it should be 97.

Mr. EVINS. We will also place pages 1–10 in the record.

(The pages follow:)

### LONG-RANGE CONSTRUCTION PLANS

*Program*

In 1961 the Veterans Administration developed a long-range plan for replacing, modernizing, and improving its facilities to meet the requirements of providing modern medical care to the country's eligible veterans.

*Cost*

The cost of this program was estimated as follows:

| | |
|---|---|
| Replacement and relocation of hospitals | $454, 959, 000 |
| Modernization of hospitals | 592, 426, 000 |
| Outpatient clinic consolidation | 2, 963, 000 |
| Air-conditioning projects | 61, 949, 000 |
| Other deficiencies | 39, 000, 000 |
| Domiciliaries | 27, 000, 000 |
| Restoration centers | 57, 755, 000 |
| Research | 29, 000, 000 |
| Total | 1, 265, 052, 000 |

*Plan changes*

Since 1961 several factors have occurred which necessitates a revision in the long-range construction program. They are:

1. New nursing home program for 4,000 beds.
2. New treatment programs, at hospitals, such as renal dialysis, day care centers, and medical and surgical units at psychiatric hospitals.

3. Migration of the veteran population.
4. Construction cost index rise of 9.8 percent (January 1962 to October 1964).
5. Funding general administration of the construction program from construction appropriation.
6. Expanded research program.

A revised long-range plan, which will reflect all adjustments since 1961, is scheduled to be completed within the next year.

*Status of funding*

The following table shows progress to date under the long-range plan:

[In thousands of dollars]

| | Long-range plan | Appropriations | | | Unfunded long-range plan |
|---|---|---|---|---|---|
| | | 1961-65 | Estimated, 1966 | Total, 1961-66 | |
| Hospitals: | | | | | |
| Replacement and relocation | 454,959 | 249,327 | 49,533 | 298,860 | 156,099 |
| Modernization | 592,426 | 62,312 | 21,768 | 84,080 | 508,346 |
| Other improvements | 103,912 | 69,303 | 12,617 | 81,920 | 21,992 |
| Domiciliaries and restoration centers | 84,755 | 1,963 | 500 | 2,463 | 82,292 |
| Research | 29,000 | 15,063 | 5,582 | 20,645 | 8,355 |
| Total | 1,265,052 | 397,968 | 90,000 | 487,968 | 777,084 |
| Outside long-range plan: | | | | | |
| Regional offices, data processing centers, supply depots | | 181 | 0 | 181 | |
| Nursing homes | | 5,000 | 5,000 | 10,000 | |
| General administration | | 0 | 2,006 | 2,006 | |
| Total | | 5,181 | 7,006 | 12,187 | |
| Total appropriation | | 403,149 | 97,006 | 500,155 | |

THE 1966 CONSTRUCTION PROGRAM

Mr. EVINS. Mr. Chairman, I think we will also place in the record the tables on pages 1–18, 1–19, and 1–20.

Mr. THOMAS. I think that will make a good record.

(The pages follow:)

*New projects for which initial funds are requested in 1966*

[In thousands of dollars]

| Location | Description | Total estimated cost | Appropriation | | |
|---|---|---|---|---|---|
| | | | Distribution of available through 1965 | Required for 1966 | Required after 1966 |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Replacement and relocation: | | | | | |
| Long Island, N.Y. | 1,000-bed hospital | 26,378 | | 1,000 | 25,378 |
| San Antonio, Tex. | 760-bed hospital and outpatient clinic | 15,300 | | 800 | 14,500 |
| San Diego, Calif. | 1,040-bed hospital and outpatient clinic | 27,481 | | 1,000 | 26,481 |
| Subtotal (3 projects) | | 69,159 | | 2,800 | 66,359 |
| Modernization: | | | | | |
| Lexington, Ky. | General medical and surgical building, phase I | 6,000 | | 500 | 5,500 |
| Palo Alto, Calif. | New D.H. & K. | 1,245 | | 1,245 | |
| Tuskegee, Ala. | Air conditioning, engineering shop, dietetics | 3,214 | | 214 | 3,000 |
| Subtotal (3 projects) | | 10,459 | | 1,959 | 8,500 |
| Other improvements: | | | | | |
| Bedford, Mass. | Medical and surgical services in neuropsychiatric hospital | 436 | | 436 | |
| Biloxi, Miss. (Gulfport) | Rehabilitation electric distribution system | 260 | | 260 | |
| Brecksville, Ohio | Medical and surgical services in neuropsychiatric hospital | 54 | | 54 | |
| Brockton, Mass. | do | 120 | | 120 | |
| Canandaigua, N.Y. | Expand sewage treatment plant | 250 | | 250 | |
| Charleston, S.C. | Laundry | 400 | | 400 | |
| Chicago, Ill. (research) | Recovery intensive care unit | 84 | | 84 | |
| Cleveland, Ohio | Day care mental hygiene clinic | 360 | | 30 | 330 |
| Coatesville, Pa. | Medical and surgical services in neuropsychiatric hospital | 467 | | 467 | |
| Erie, Pa. | Storm windows | 48 | | 48 | |
| Fayetteville, Ark. | Expand Laboratory Building No. 2 | 70 | | 70 | |
| Fort Howard, Md. | Alterations for canteen | 20 | | 20 | |
| Fort Lyon, Colo. | Enlarge dental clinic | 12 | | 12 | |
| Do. | Medical and surgical services in neuropsychiatric hospital | 500 | | 500 | |
| Houston, Tex. | Water storage | 150 | | 150 | |

*New projects for which initial funds are requested in 1966*—Continued

[In thousands of dollars]

| Location | Description | Total estimated cost | Appropriation | | |
|---|---|---|---|---|---|
| | | | Distribution of available through 1965 | Required for 1966 | Required after 1966 |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Kansas City, Mo. | Enlarge clinic laboratory | 133 | | 133 | |
| Long Beach, Calif. | Spinal cord injection services | 91 | | 91 | |
| Madison, Wis. | Central tray dishwashing factory | 150 | | 150 | |
| Muskogee, Okla. | Consolidate outpatient clinic, etc. | 240 | | 240 | |
| New Orleans, La. | Central tray services | 68 | | 68 | |
| Do. | Day care mental hygiene clinic | 360 | | 30 | 330 |
| New York, N.Y. | Emergency generator | 60 | | 60 | |
| North Little Rock, Ark. | Enlarge canteen | 150 | | 150 | |
| Palo Alto, Calif. | Intensive treatment unit | 70 | | 70 | |
| Pittsburgh, Pa. | Medical and surgical services in neuropsychiatric hospital | 206 | | 206 | |
| Do. | Intensive treatment unit | 66 | | 66 | |
| Roseburg, Oreg. | Alterations for canteen | 100 | | 100 | |
| San Fernando, Calif. | Convert wards, TB to general medical | 143 | | 143 | |
| Do. | Enlarge radiology | 84 | | 84 | |
| Sepulveda, Calif. | Enlarge laundry | 81 | | 81 | |
| Do. | Alterations for outpatient clinic | 550 | | 50 | 500 |
| St. Cloud, Minn. | Laundry alterations | 36 | | 36 | |
| Tomah, Wis. | Medical and surgical services in neuropsychiatric hospital | 400 | | 400 | |
| Do. | Elevators, buildings 403 and 406 | 62 | | 62 | |
| Tuscaloosa, Ala. | Medical and surgical services in neuropsychiatric hospital | 536 | | 536 | |
| Wadsworth, Kans. | Alterations for canteen | 100 | | 100 | |
| West Roxbury, Mass. | Intensive treatment unit | 25 | | 25 | |
| West coast | Blind center | 100 | | 100 | |
| Various stations. | Renal dialysis program (11 projects) | 825 | | 825 | |
| Do. | Miscellaneous projects under $50,000 | 200 | | 200 | |
| Do. | Fire and safety projects | 200 | | 200 | |
| Administrative discresion fund | | 500 | | 500 | |
| Subtotal (52 projects) | | 8,767 | | 7,607 | 1,160 |

| | | | | | |
|---|---|---|---|---|---|
| Domiciliary: Wood, Wis | Modernize hospital building for domiciliary | 6,137 | | 500 | 5,637 |
| Subtotal (1 project) | | 6,137 | | 500 | 5,637 |
| Nursing homes: Various stations | Nursing homes | 5,000 | | 5,000 | |
| Subtotal (1 project) | | 5,000 | | 5,000 | |
| Research: | | | | | |
| Charleston, S.C | Research addition | 500 | | 500 | |
| Chicago, Ill. (research) | Convert nurses quarters | 258 | | 258 | |
| Iowa City, Iowa | Additional research | 541 | | 541 | |
| Jackson, Miss | Extend animal house | 69 | | 69 | |
| New Orleans, La | Convert existing space | 78 | | 78 | |
| New York, N.Y | Convert ward space | 357 | | 357 | |
| Phoenix, Ariz | Convert nurses quarters | 197 | | 197 | |
| West Haven, Conn | Convert building 2 | 190 | | 190 | |
| Subtotal (8 projects) | | 2,190 | | 2,190 | |
| Total (68 projects) | | 101,712 | | 20,056 | 81,656 |

*Projects in process for which funds are requested in 1966*

[In thousands of dollars]

| Location | Description | Total estimated cost | Appropriation | | |
|---|---|---|---|---|---|
| | | | Distribution of available through 1965 | Required for 1966 | Required after 1966 |
| (1) | (2) | (3) | (4) | (5) | (6) |
| Replacement and relocation: | | | | | |
| Chicago, Ill. (South Side) | 760-bed hospital | 18,893 | 1,800 | 17,093 | |
| Columbia, Mo | 480-bed hospital | 12,765 | 950 | 11,815 | |
| Hines, Ill | 1,220-bed hospital, phase I replacement | 21,690 | 20,690 | 1,000 | |
| Long Beach, Calif | 1,160-bed hospital, phase II | 18,703 | 18,000 | 703 | |
| Los Angeles, Calif | 1,040-bed hospital | 23,876 | 22,863 | 1,013 | |
| Northport, N.Y | 480-bed hospital, phase I replacement | 16,009 | 900 | 15,109 | |
| Subtotal (6 projects) | | 111,936 | 65,203 | 46,733 | |
| Modernization: | | | | | |
| Battle Creek, Mich | Modernization, building 13, utility, phase IV | 2,473 | 153 | 2,320 | |
| Coatesville, Pa | Chapel, TEC building, etc., phase V | 1,753 | 378 | 1,375 | |
| Danville, Ill | Center core building, phase V | 2,210 | 139 | 2,071 | |
| Louisville, Ky | Clinics, consolidate | 2,589 | 89 | 150 | $2,350 |
| Marion, Ill | Modernization, phase I | 2,518 | 150 | 2,368 | |
| Palo Alto, Calif | Modernization, phase IV, 2 neuropsychiatric buildings | 5,674 | 270 | 5,404 | |
| Perry Point, Md | Modernization, phase IV | 2,258 | 189 | 2,069 | |
| San Francisco, Calif | Modernization, 5 buildings, phase IV, final | 4,282 | 230 | 4,052 | |
| Subtotal (8 projects) | | 23,757 | 1,598 | 19,809 | 2,350 |
| Other improvements: | | | | | |
| Brooklyn, N.Y | Air conditioning, group IIB | 4,001 | 6 | 3,995 | |
| Fort Wayne, Ind | do | 717 | 2 | 715 | |
| Lake City, Fla | Laundry | 340 | 40 | 300 | |
| Subtotal (3 projects) | | 5,058 | 48 | 5,010 | |
| Research: | | | | | |
| Boston, Mass | Research addition | 1,162 | 111 | 1,051 | |
| Chicago, Ill. (West Side) | do | 541 | 49 | 492 | |
| Cincinnati, Ohio | Research wing | 1,385 | 86 | 1,299 | |
| Madison, Wis | Research addition | 541 | 49 | 492 | |
| Various stations | Minor research projects | 92 | 34 | 58 | |
| Subtotal (5 projects) | | 3,721 | 329 | 3,392 | |
| Total (22 projects) | | 144,472 | 67,178 | 74,944 | 2,350 |
| Grand total for new projects and projects in process (90). | | 246,184 | 67,178 | 95,000 | 84,006 |

TOTAL CONSTRUCTION, MODERNIZATION, AND REPAIR ESTIMATE

Mr. MONK. The table on page 1–20 shows the projects in process and need for additional money.

Mr. THOMAS. Put it on the books, what the ultimate wrap-up cost is going to be.

Mr. EVINS. Tell us again how much your ultimate cost of this construction program will be.

Mr. ASHBRIDGE. $1,265,052,000.

Mr. THOMAS. Over a 15-year period?

Mr. MONK. Yes, sir.

Mr. THOMAS. You mean to say you are not going to add any more new projects to it next year?

Mr. MONK. The projects we will come in with next year will be projects within the $777 million.

Mr. THOMAS. The colonel gave us a figure a little in excess of a billion.

Mr. DRIVER. Some of that is already funded, Mr. Chairman.

Mr. THOMAS. That was the overall wrap-up cost of the program.

Mr. DRIVER. $398 million has been funded through 1965.

Mr. THOMAS. And you need $650 million yet?

Mr. MONK. $777 million, plus the $90 million this year.

Mr. DRIVER. If you count this year's request, we have $867 million yet to be funded.

Mr. THOMAS. Will that billion dollars last you 15 years?

Mr. DRIVER. A billion, two; yes, sir, for 15 years, starting in 1961.

Mr. MONK. But we will not be through in 15 years. Fifteen years from now there will be some other things that need to be done.

Mr. THOMAS. That is what I expect to see. You will be back every year.

Mr. DRIVER. This will bring up to date hospitals built since prior to World War II.

Mr. THOMAS. How much do you figure it will take to put all of your facilities in tiptop shape just like they ought to be—new and modernization, repair and alteration, and so forth?

Mr. DRIVER. $2 billion.

Mr. THOMAS. Is that just a good horseback opinion?

Mr. DRIVER. Yes, sir. We raised this estimate from $900 million, I think, which is on the conservative side.

Mr. EVINS. Then you will want to close some 5 years from now that you built 5 years ago.

Mr. DRIVER. A few built in 1950 will need modernization.

Mr. EVINS. You have nine projects, I note, for replacement and relocation, for which we will now put in the prospectus. We have discussed some of them.

MODERNIZATION

I find there are 11 projects for modernization—Battle Creek, Mich., Coatesville, Pa., Danville, Ill., Lexington, Ky., Louisville, Ky. Two of those that close together?

Mr. DRIVER. They are modernization.

Mr. EVINS. Marion, Ill., Palo Alto, Calif., Perry Point, Md. What is the situation with respect to this hospital?

Mr. MONK. This would finish it up.

Mr. EVINS. San Francisco and Tuskegee, Ala.

Then you have 55 projects for improvement. This includes everything from air conditioning to fallout shelters to new laundries, all types of equipment and facilities. Storm windows, new sidewalks, canteen service.

SELECTION OF PROJECTS FOR FUNDING

How much was your total request? How do you screen these? How do you approve them? On what basis do you approve one hospital's request and you do not approve another's?

At one place you will build a chapel and at another place where they are pleading for a chapel you will not approve a chapel.

Mr. MONK. Depends on the priority. We have a committee that goes over the requests and, of course, we receive them from the individual stations and receive many, many more requests every year.

Mr. EVINS. How do you cull or disallow projects? How do you weed them out? What is the total of the other improvements in the 55 projects?

Mr. DRIVER. $12,617,000.

Mr. EVINS. How much in toto?

Mr. MONK. I would say five times that much.

Mr. EVINS. You just picked the essentials—the priorities?

Mr. MONK. Yes.

Mr. EVINS. What you thought were priorities. You limited them to six projects and said list the first three of highest priority. Is that the way you do it?

Mr. DRIVER. They put them in priority order, and we support them to the extent we can conscionably do it.

Mr. EVINS. Distribution system, proper air conditioning, improve secondary treatment rooms, equipping of laundry, and establishing a day care center. Is this for the babysitters?

Mr. MONK. That is for the mental patients that come in.

RESEARCH ADDITION—BOSTON

Mr. EVINS. Laboratory and research facilities. Then you have 12 research facility projects. I was very much interested in looking these over. This is $1,162,300 for Boston, for example. We will put in the record pages 1–133 and 1–134.

(The pages follow:)

BOSTON, MASS.

PROSPECTUS FOR RESEARCH ADDITION

*I. Description of the project*

The project provides for new construction and alterations for additional research space.

*II. Justification*

*A. Historical background*

The expansion of health-related research since World War II has far exceeded the planning and construction of laboratory facilities. With respect to the VA hospital at Boston, the problem has been compounded by the subsequent growth in research due to the hospital's affiliation with the Boston and Tufts Universities. This problem has been met, in part, by the conversion of clinical space and other small, diverse, and widely scattered areas throughout the hospital. This expedient has produced laboratories which are inefficient.

*B. Mission*

1. The hospital employs 67 full-time research investigators and 3 clinical investigators. There are 17 grant-fund employees that are financed and administered by the participating universities. This group is conducting research in surgery, medicine, neurology, psychiatry, radioisotope, central nervous system, and reactions of certain proteins on the red blood cells.

2. The research functions in this hospital presently occupy space which is insufficient to the needs and is not centrally located for efficient operation.

*III. Brief of the construction program*

The long-range plan for this hospital is presently established at 33,826 net square feet for research. Research functions presently occupy 14,699 net square feet of space in various locations within the hospital. At present there is a project under construction which will provide 3,660 net square feet. The project that is being proposed will provide a net increase of 15,467 net square feet of space. It is planned to construct 19,410 net square feet of space and return 3,943 net square feet of space, presently occupied by research, to other hospital functions.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $1,006,300 |
| Contingencies | 50,300 |
| Technical services | 105,700 |
| Total budgeted cost | 1,162,300 |

RESEARCH SPACE UTILIZATION

Mr. THOMAS. What is the square footage cost? I thought we looked at that not long ago. Is it $50 a square foot? You have $5 million in here for these projects.

Mr. MONK. Yes.

Mr. THOMAS. What is the square footage cost on those?

Mr. ASHBRIDGE. I can give you some information on that, sir.

Mr. THOMAS. In $5 million worth of research laboratories.

Mr. ASHBRIDGE. First of all, Mr. Chairman, let me explain that, as shown in our budget presentation here, the area figures are net figures and are not gross construction figures; that is, this is the actual usable area, but in addition to that you have the area taken up by mechanical space, corridors, walls, partitions, columns.

Mr. THOMAS. What is the usability? We require of other agencies not less than 80 percent. What is yours here against total space?

Mr. ASHBRIDGE. We multiply the net area by 1.57 in order to get the gross area.

Mr. THOMAS. One and fifty-seven one-hundredths is more than 80 percent wasted space.

Mr. ASHBRIDGE. That is not all "wasted."

Mr. THOMAS. Yes; that is a bad word. I agree.

Mr. ASHBRIDGE. Equipment, corridors, elevators.

Mr. THOMAS. You do not come within the 80-percent rule, then.

Mr. MONK. I do not know exactly how we would apply that on a hospital, Mr. Chairman.

Mr. EVINS. Some find they need an additional room for research equipment or for the treatment of patients, or they want a wing added.

The hospital at Boston employs 67 full-time research investigators and 3 clinical investigators. The long-range plan for this hospital is presently established at 33,826 net square feet for research. The project under construction will provide 3,660 net square feet.

Mr. THOMAS. What does it cost per square foot?

Mr. EVINS. What does it cost per square foor to provide this research space?

Mr. ASHBRIDGE. The construction cost on that will be $38.07 a square foot, gross square feet.

Mr. EVINS. It is $38?

Mr. ASHBRIDGE. Yes, sir.

Mr. THOMAS. Where is the rest of the money? Is there a little slippage in there some place?

Mr. ASHBRIDGE. No. Some goes into technical services for the design and for supervision of construction. We have some contingencies in there. The estimated construction cost per square foot is——

EQUIPMENT

Mr. THOMAS. How much portable equipment do you have in there? Do you charge that in with your construction costs?

Mr. ASHBRIDGE. That is not in here. This is only actual building.

Mr. THOMAS. You mean in addition?

Mr. ASHBRIDGE. That is in the research appropriation, not in ours. We have the built-in portion here but not the portable equipment.

Mr. THOMAS. You have the built-in portion?

Mr. ASHBRIDGE. Sterilizers, air conditioning.

Mr. THOMAS. You have no contractor estimate on these figures here. That is what we call inhouse estimates.

Mr. ASHBRIDGE. That is correct.

CHARLESTON, S.C., RESEARCH ADDITION

Mr. EVINS. You want additional space for the hospital at Charleston, S.C., for research, and you say:

> The affiliation program with the Medical College of South Carolina has generated the need for a total research program of 23,700 net square feet, an increase of 17,500 net square feet over the original plans for the hospital.

And you want $500,000. Is that the situation?

Mr. ASHBRIDGE. For the justification we will have to refer to our medical colleagues.

Dr. MUSSER. I can speak to that. Any new knowledge we get comes from research, so that if we are to learn the cause of any disease, such as cancer, or learn how to treat it, it will be by virtue of our research activities. Research has become an integral part of the practice of medicine.

Mr. EVINS. Doctor, you seem to condescend to us as though we do not know that. We appreciate that.

Dr. MUSSER. No. I am building up to the story of Charleston because it is essential. As we try to recruit physicians the first question is whether they will have an opportunity to do research, and we must make available to them the facilities in which they can test their ideas. The hospital at Charleston was built from the concept we used at the Martinez Hospital in Martinez, Calif., before. Originally it contained 6,000 square feet of research space; this was the amount of space at a nonaffiliated hospital—16,000 square feet of research space was the amount we had set up as a standard for an affiliated hospital approximately 5 years ago. We are trying to build Charleston up to

that level. At the present time, however, we have found it necessary to contemplate a minimum of 25,000 square feet in an affiliated hospital.

Mr. EVINS. You are doubling the amount?

Dr. MUSSER. Yes, sir.

It is interesting that the hospitals built in 1951 and 1952 had only 1,800 square feet of research space in them, and during the years since they have utilized every nook and corner for research. We now are seeking to consolidate these laboratories, so that in the end we will have not only a more effective operation but a more economical operation, and if we are to get doctors to adequately take care of patients, we will have to provide the opportunity for them to do research. I think the situation is not going to change.

Mr. EVINS. Thank you, Doctor.

OTHER RESEARCH ADDITIONS

At Chicago, Ill., you want increased research space at a cost of half a million dollars.

At Cincinnati, Ohio, you want increased research space at a cost of $1,385,100.

At Iowa City, Iowa, you want additional research space at a cost of $541,000.

You want an increase at Jackson, Miss., $69,000 to extend the animal house for research.

At Madison, Wis., you want $541,000 for additional research space.

At New Orleans, La., you want $78,000 to convert existing space to research.

In New York City you want to convert ward space to research at a cost of $357,000.

At Phoenix, Ariz., you want to convert existing nurses' quarters to research space, at a cost of $197,000.

And at West Haven, Conn., you want $190,000 for additional research facilities.

IOWA CITY RESEARCH ADDITION

Mr. THOMAS. Would you mind returning to that hospital in Iowa City? I have been in that hospital a half dozen times and it is brand new. It is the most complete facility I have ever seen. There is no better hospital in the country, and right across the street they have this great University of Iowa Medical School. The brains of your hospital are right across the street from the Iowa University Hospital. How do you justify spending $541,000 out there? Because the management asked for it?

Dr. MUSSER. It is the same story as Charleston.

Mr. THOMAS. I do not know much about Charleston. Tell me about Iowa City. I have been there and I know about Iowa City.

Dr. MUSSER. We have had communications from the dean and Dr. Bean, the head of the department of medicine, and they indicate to us if we are to maintain the quality of staff in our hospital which they feel is essential in order to adequately care for the veterans in Iowa City, we will have to provide more space to do research. Iowa City was where they had only 1,800 square feet of research space to start with.

Mr. THOMAS. What is this costing per square foot?

Mr. ASHBRIDGE. A total of about $42.99 a square foot. The construction part of that is $36.99.

Mr. THOMAS. I can tell you how John Public can get his money's worth. Give that half a million dollars to the University of Iowa people and let them handle it. Just transfer it over there. They are right across the street, one from the other. What department is going to do this research?

Dr. MUSSER. Most of it will be in the department of medicine and surgery. That is where our greatest needs are.

Mr. THOMAS. That covers the book, does it not?

Dr. MUSSER. No, sir. There are other departments that will participate, but in all our hospitals most of the research is in medicine and surgery. This is where the diseases about which we know the least come into sharpest focus.

Mr. THOMAS. Does that include a children's department?

Dr. MUSSER. It would in anything but a VA hospital.

Mr. THOMAS. When you say medicine and surgery that covers all known departments of medicine, does it not?

Dr. MUSSER. No, sir. There are about 13 departments, of which medicine and surgery are the major ones, to be sure.

Mr. THOMAS. It looks to me we are kicking a lot of money around here. There is no question you are rendering fine service. Off the record.

(Discussion off the record.)

Mr. THOMAS. Could you not cut this about 10 percent?

Mr. ASHBRIDGE. We are cutting all we can. At Long Beach and Los Angeles, for example, we are merely painting the inside surface of the exterior concrete walls and not even putting plaster or wallboard over them.

VA HOSPITAL, WASHINGTON, D.C.

Mr. THOMAS. What does this hospital you are building in the District of Columbia cost? How many beds is it?

Mr. ASHBRIDGE. 710 beds, and the cost is $21,896,000.

Mr. THOMAS. When will it be completed?

Mr. ASHBRIDGE. It is complete now. It has been turned over to the Department of Medicine and Surgery.

Mr. THOMAS. Do you have any unexpended balance?

Mr. ASHBRIDGE. No, sir. We ran up to the limit on it.

Mr. THOMAS. What was the amount of appropriated funds for it?

Mr. DRIVER. $21,896,000.

Mr. ASHBRIDGE. Yes, $21,896,000.

Mr. THOMAS. What did it cost you?

Mr. ASHBRIDGE. Through 1964, $21,537,000, and we estimate in this current fiscal year $275,000, and perhaps another $50,000 or so to wind the thing up; perhaps as much as $84,000 to wind it up.

Mr. THOMAS. Was that not a firm contract to start with?

Mr. ASHBRIDGE. Yes, sir; but there are always contingencies that come up and there are always changes to keep up with the rapid advancements in the art of medicine.

Mr. THOMAS. What do you allow for contingencies, 5 percent?

Mr. ASHBRIDGE. It depends on the size. On one this size, about 3 or 4 percent.

Mr. THOMAS. And on a smaller one more?

Mr. ASHBRIDGE. Yes, sir. It depends on the size and complexity of the project.

## PROSPECTUSES FOR CONSTRUCTION PROJECTS

Mr. THOMAS. I think it might be well to put the prospectuses of these projects in the record.

Mr. ASHBRIDGE. They start at page 1–55.

(The prospectuses follow:)

### CHICAGO (SOUTH SIDE), ILL.

#### PROSPECTUS FOR 760-BED GENERAL HOSPITAL

*I. Description of the project*

The project provides for the construction of a 760 bed general hospital including 520 medical, surgical, and neurological beds and 240 psychiatric beds.

*II. Justification of the project*

*A. Historical background*

In July of 1963, the President authorized the construction of a new 760 bed hospital in Chicago, Ill., to offset a reducation in medical and surgical beds at the Hines, Ill., hospital and a reduction in psychiatric beds at other hospitals in Illinois. It is planned to acquire a site for construction of the new hospital adjacent to the University of Chicago School of Medicine in South Side Chicago.

*B. Mission*

1. The proposed distribution of 520 medical, surgical, and neurological beds and 240 psychiatric beds will provide a balanced program of medical care and treatment for those veterans residing in the South Side area of Chicago as well as suburban communities and rural areas to the south of Chicago.

2. It is planned that the hospital will be affiliated with the University of Chicago School of Medicine. It is planned that the hospital will provide a residency program, training of undergraduate medical students, and training in various other allied programs such as psychology and social service.

3. It is planned to provide adequate medical research space in order to conduct an active research program in collaboration with the medical school.

*C. Need for the project*

1. The new hospital is required to replace medical, surgical, and neurological beds which are housed in obsolete facilities at Hines, Ill., and psychiatric beds housed in obsolete facilities in Illinois. It has been determined that the obsolete facilities require replacement. Replacement of these beds in the planned new hospital in South Side Chicago will provide beds more accessible to veterans residing in this area and affords an opportunity for another medical school affiliation. Such affiliations are the keystone of high quality patient care in the VA medical program.

*III. Brief of the construction program*

It is planned to construct a complete hospital facility. The special physical features of the new hospital have not yet been developed.

*IV. Budgeted cost*

| | |
|---|---|
| Construction | $15,491,500 |
| Contingencies | 774,600 |
| Technical services | 1,626,900 |
| Site | 1,000,000 |
| Total budgeted cost | 18,893,000 |
| Approximate gross square feet: | |
| Medical, surgical, and neurological | 423,597 |
| Psychiatric | 89,543 |
| Base construction cost per square foot: | |
| Medical, surgical, and neurological | $31.22 |
| Psychiatric | $25.99 |

COLUMBIA, MO.

PROSPECTUS FOR 480-BED GENERAL HOSPITAL

*I. Description of the project*

This project will provide a 480-bed hospital to provide a wide variety of medical and psychiatric care for eligible veterans in central Missouri. Close affiliation with the University of Missouri School of Medicine will go far to assuring favorable staffing ratios and turnover rates.

*II. Justification*

The hosiptal will meet long-range planning objectives to provide hospital beds in a convenient location for 85,000 veterans. It will bring the ratio of beds to veterans population in the State more in line with the national average.

*III. Brief of the construction program*

The master plan for the hospital contemplates—

1. Construction of 240 medical, surgical, and neurological beds and 240 psychiatric beds in a multistory structure.
2. Provision of facilities for research and teaching programs.

Based on Federal criteria maximum air conditioning is planned. The university will donate the site, the VA will purchase steam from the university on a contract basis.

*IV. Budgeted costs*

| | Medical, surgical, and neurological | Neuropsychiative | Total |
|---|---|---|---|
| Construction | $8,413,400 | $2,335,300 | $10,748,700 |
| Contingencies | 420,700 | 116,800 | 537,500 |
| Technical services | 883,400 | 245,200 | 1,128,600 |
| Subtotal | 9,717,500 | 2,697,300 | 12,414,800 |
| Steam purchase | | | 350,000 |
| Total | | | 12,764,800 |
| Gross square feet | 286,064 | 93,221 | 379,285 |
| Base construction cost per square foot | $27.68 | $24.03 | |

## HINES, ILL.

PROSPECTUS FOR REPLACEMENT OF 1,220 MEDICAL, SURGICAL, AND NEUROLOGICAL BEDS

*I. Description of the project*

The project, part of an overall program for modernization of the Hines Hospital, provides for the construction of a 1,200-bed medical, surgical, and neurological hospital to replace existing facilities; alterations to an existing quarters building for a 20-bed blind rehabilitation center; expansion and alterations to the existing canteen, building No. 45; modernization to an existing boiler plant, building No. 5; and outside utilities.

*II. Justification*

*A. Historical background*

1. The present hospital was opened in 1921 by the Public Health Service and transferred to the Veterans Bureau in 1922.
2. Currently, the hospital is operating 2,079 beds.

*B. Mission*

In keeping with the VA policy of reducing the size of its larger hospitals, the tentative long-range bed level for the VA hospital at Hines has been established at 1,700 beds. These will consist of 1,200 medical, surgical, and neurological beds, 480 physchiatric beds, and a 20-bed blind center.

*C. Need for the project*

The existing structures are approximately 40 years old and have outlived their economic usefulness. They no longer provide treatment facilities in accordance with modern concepts of patient care.

*III. Brief of the construction program*

The approved master plan for the hospital contemplates the following program of modernization and replacement:

1. Construction of 1,200 medical, surgical, and neurological beds in a multistory structure providing operating efficiency and economy.
2. Abandonment of most of the existing structures, but permanent retention and use of the laundry building and quarters buildings, theater, library, recreation, canteen, and building for research.
3. Modernization of an existing quarters building as a 20-bed blind center.
4. Expansion and alterations to existing canteen, building No. 45.
5. Modernization of an existing boiler plant, building No. 5.

*IV. Budgeted cost*

| | |
|---|---|
| Construction | $18,779,200 |
| Contingencies | 939,000 |
| Technical services | 1,971,800 |
| Total budgeted cost | 21,690,000 |

New construction will approximate 564,140 gross square feet.
Base construction cost per square foot is $29.81.

## LONG BEACH, CALIF.

PROSPECTUS FOR MODERNIZATION AND REPLACEMENT OF FACILITIES

*I. Description of the project*

The project provides for the replacement of beds in cantonment-type buildings with permanent new construction and modernization of certain existing buildings for supporting facilities.

## *II. Justification*

*A. Historical background*

1. The Long Beach Hospital was construced by the Navy in 1942. The original hospital contained 300 beds in permanent construction.

2. During the 1940's, the Navy constructed an additional 1,491 beds in cantonment-type buildings.

3. The Veterans Administration took over operation of the hospital in 1950 and operated it as a 1,600-bed general medical and surgical hospital. The modernization of the station began in 1958 with the construction of a modern 560-bed patients' building to replace beds in cantonment-type buildings.

*B. Mission*

1. The proposed bed distribution of 1,361 medical, surgical, and neurological; 240 psychiatric; and 120 tuberculosis beds will provide a balanced program of medical care and treatment for veterans residing in the southern California area.

2. The hospital is affiliated with the medical schools at the University of Southern California, the University of California at Los Angeles, and the College of Medical Evangelists. Residency training programs have been established in the major medical specialities.

3. A staff of consultants and attending physicians assist in the development and supervision of the various training programs and actively participate in the care of patients.

4. The hospital has an active program of medical research carried on in conjunction with its affiliated medical schools.

*C. Need for the project*

1. The cantonment-type buildings are of nonpermanent construction. They have exceeded their economic life and are inadequate for the medical care of patients.

2. Patients are widely dispersed, prohibiting efficient and economic operation of the hospital.

3. The modernized hospital will provide complete, efficient, and effective treatment facilities for the veteran patient.

## *III. Brief of the construction program*

*A. Planning considerations*

1. The project provides for the abandonment and demolition of existing temporary buildings now used for medical treatment of patients.

2. Four permanent buildings, constructed as part of the original hospital, will be modernized and incorporated into a reasonably compact physical plant conducive to economic operation.

3. The hospital will contain the necessary facilities for outpatient treatment.

*B. Bed distribution*

1. The hospital will contain 34 medical, surgical, and neurological nursing units of approximately 40 beds each; 4 TB and 8 psychiatric nursing units of 30 beds each. Approximately 200 M.S. & N. beds will be devoted to care and treatment of patients with spinal cord injuries.

*C. Physical features*

1. Complete clinical facilities will be provided for all patients.

2. The hospital will contain the following communication and distribution systems:

(*a*) Centralized tray assembly and mechanical food distribution.
(*b*) Pneumatic tube system.
(*c*) Doctors' paging system and nurse-patient call system.
(*d*) Multichannel radio system with adequate conduit for closed-circuit television.

3. Provision for future air conditioning will be incorporated so that complete air conditioning can be provided at some future date at a minimum cost.

4. The plan provides for 32,500 net square feet of medical research facilities.

5. A congregate dining room will be available for ambulatory medical patients on a double feeding basis. Ward dining rooms will be provided for psychiatric patients.

*D. Budgeted costs*

| | |
|---|---|
| Construction | $16,715,700 |
| Contingencies | 501,400 |
| Technical services | 1,486,300 |
| Total, budgeted costs | 18,703,400 |

This project contemplates alterations to approximately 226,090 gross square feet of existing space and construction of approximately 429,612 gross square feet of new space. The above budgeted costs are based on the construction contract awarded December 2, 1964.

## LONG ISLAND, N.Y.

### PROSPECTUS FOR CONSTRUCTION OF 1,000 BEDS

*I. Description of project*

This project will provide a wide variety of medical and psychiatric care for eligible veterans on that part of Long Island outside New York City. Affiliation with a new medical school planned by the State University of New York will contribute to favorable staffing and turnover ratios. (Outpatient clinic will also be planned when site is acquired.)

*II. Justification*

The hospital will meet long-range planning goals for bringing beds available up to national averages. The need for additional beds is caused by a planned reduction at the Northport Veterans Hospital, and by an influx of veterans from other areas in New York State.

*III. Brief of the construction program*

The master plan for this 1,000-bed hospital provides—

1. Construction of 480 medical, surgical, and neurological beds in a multistory structure. This will take advantage of operational efficiency offered by vertical transport systems and integrated communications networks.
2. Construction of 520 beds in separate low-lying structures will provide space for 480 psychiatric beds and 40 foster-care preparation beds. This facilitates movement to various therapeutic activities by ambulant patients.

*IV. Budgeted costs*

| | G.M. & S. | NP | Total |
|---|---|---|---|
| Construction | $15,499,500 | $6,382,400 | $21,881,900 |
| Fallout | 90,000 | | 90,000 |
| Contingencies | 779,500 | 319,100 | 1,098,600 |
| Technical services | 1,636,900 | 670,200 | 2,307,100 |
| Subtotal | 18,005,900 | 7,371,700 | 25,377,600 |
| Site | | | 1,000,000 |
| Total, budgeted costs | | | 26,377,600 |
| Gross square feet | 409,065 | 189,707 | 598,772 |
| Base construction cost per square foot | $37.89 | $31.54 | |

## LOS ANGELES, CALIF.

### PROSPECTUS FOR 1,040-BED GENERAL HOSPITAL

*I. Description of the project*

The project provides for the construction of a 1,040-bed general hospital including 800 medical, surgical, and neurological beds and 240 psychiatric beds.

*II. Justification of the project*

*A. Historical background*

In June of 1962, the President authorized the construction of a new 1,040-bed hospital in Los Angeles, Calif. We have acquired a site for the hospital from

the city of Los Angeles adjacent to the University of Southern California School of Medicine by exchange of excess acreage at the VA Center, Los Angeles.

*B. Mission*

1. The proposed distribution of 800 medical, surgical, and neurological beds and 240 psychiatric beds will provide a balanced program of medical care and treatment for those veterans residing in the southern California area.

2. The hospital will be located adjacent to and will be affiliated with the University of Southern California School of Medicine. Residency training programs will be established in the major medical specialties. The dean of the medical school will chair the deans' committee and the university will require medical students to receive part of their training in the new hospital. Training programs will also be provided in psychology, social service, and physical medicine and rehabilitation. A staff of consultants and attending physicians will assist in the development and supervision of the various training programs and actively participate in the care of patients.

3. A total of 25,000 net square feet of space for research facilities is included for this hospital.

*C. Need for the hospital*

1. Southern California is the fastest growing population center in the United States. The Los Angeles hospital is entirely in keeping with the VA policy of constructing medical facilities in areas of greatest need.

2. The Los Angeles hospital will also provide needed relief for the overcrowded conditions at the Los Angeles Center.

3. The hospital's proximity to and affiliation with the University of California School of Medicine will provide excellent staffing potential, generate extensive medical research activity, and strengthen the patient care and treatment program. The project satisfies the basic tenet of the VA medical program—that the VA hospital system be affiliated, wherever possible, with the Nation's medical schools.

*III. Brief of the construction program*

*A. Planning considerations*

1. The VA hospital at Sepulveda will furnish laundry service to the new hospital.

2. It will be fully air conditioned in order to provide adequate control of the smog problem in this area.

3. A major portion of the Los Angeles Outpatient Clinic will be consolidated with the new hospital. In addition to this clinic, a day care center will be provided.

*B. Bed distribution*

The hospital will contain 9 medical nursing units of 40 beds each; 9 surgical nursing units of 40 beds each; 2 TB nursing units of 40 beds each; and 8 psychiatric nursing units of 30 beds each.

*C. Physical features*

1. Complete clinical facilities will be provided for medical and psychiatric patients.

2. The hospital will contain a pneumatic tube system, medical gas and suction system, doctors' paging system, selective-vertical conveyor belt systems (for dietetics and supply), nurse-patient call system.

3. All beds will be placed in a single multistory structure.

4. It is planned to provide centralized food tray assembly for medical, surgical, and neurological patients and family style feeding for psychiatric patients in proximity to the nursing units.

*IV. Budgeted cost*

| | |
|---|---|
| Construction | $20,477,000 |
| Contingencies | 1,035,000 |
| Technical services | 2,170,000 |
| Army Reserve Center replacement | |
| City, sewer connection | 194,000 |
| Total budget cost | $23,876,000 |
| Approximate gross square feet: | |
| Medical, surgical, and neurological | 568,847 |
| Psychiatric | 88,332 |
| Base construction cost per square foot: | |
| Medical, surgical, and neurological | $30.16 |
| Psychiatric | 27.36 |

## NORTHPORT, N.Y.

PROSPECTUS FOR MODERNIZATION OF FACILITIES (PHASE I)

*I. Description of the project*

The project provides for construction of 480 medical, surgical, and neurological beds and clinical facilities as the first phase of an overall plan for modernization of the hospital. A master plan detailing the total scope of modernization has been developed. Work to be done is scheduled in three phases.

*II. Justification*

*A. Historical background*

1. Veterans Administration hospital, Northport, was opened in November 1928 with a capacity of 1,000 psychiatric beds. Expansion during 1936–38 increased the hospital's capacity to its present 2,488 beds. Subsequent construction has consisted of a canteen building, a therapeutic exercise clinic building, an addition to the administration building, nurses' quarters, and chapel.

2. In June 1962, the President approved an 804-bed reduction in the capacity of the hospital.

*B. Mission*

1. On the basis of current population studies and patient demand projections, the long-range bed level for the Northport hospital has been established at 1,680 beds. The reduction will relieve serious overcrowding at the hospital and provide for a more effective program of patient care. The 804 beds will be replaced in the 1,000-bed general hospital planned for Long Island, N.Y.

2. The hospital is affiliated with State University of New York Downstate Medical Center and has an approved residency program in psychiatry. In addition, special training programs have been established in psychology, nursing, physical therapy, social service, and other professional areas.

3. A staff of consultants and attending physicians contribute importantly to the training programs and are active in patient care and treatment.

4. The hospital has an ongoing program of research carried on in conjunction with the medical school.

*C. Need for the project*

With the exception of the therapeutic exercise clinic building and the canteen building, all facilities at the hospital are between 25 and 35 years old and in need of modernization or replacement.

*III. Brief of the construction program*

1. The first phase of the modernization program tentatively provides for construction of 480 medical, surgical, and neurological beds and clinical facilities adequate to the needs of psychiatric and medical patients.

2. The balance of the program will provide for replacement of remaining obsolete patient buildings.

*IV. Budgeted costs*

| | Gross square footage | Base construction cost | | Other costs adjustments | Total |
|---|---|---|---|---|---|
| | | Per square foot | Total | | |
| New medical, surgical, and neurological building | 288,668 | $37.19 | $10,735,600 | —[1] $200,000 | $10,535,600 |
| Fallout | | | | 59,500 | 59,500 |
| New administration building | 24,842 | 33.38 | 829,200 | | 829,200 |
| Alterations, buildings 5, 36, 62, and 63 | 26,638 | 13.93 | 371,100 | | 371,200 |
| Outside utilities, landscaping and demolition | | | | 2,056,600 | 2,056,600 |
| Construction total | | | 11,935,900 | 1,916,100 | 13,852,000 |
| Contingencies | | | | | 701,800 |
| Technical services | | | | | 1,455,500 |
| Total budgeted cost | | | | | 16,009,300 |

[1] Negative adjustment—no boiler plant to be provided.

SAN ANTONIO, TEX.

PROSPECTUS FOR 760-BED GENERAL HOSPITAL

*I. Description of project*

The project provides for the construction of a 760-bed general hospital to include:

A. 400 medical, surgical, and neurology beds.

B. 360 psychiatric beds.

C. Outpatient facilities for 30,691 annual patient visits, 10,000 day care visits, and administration of 10,823 annual fee-basis visits.

*II. Justification of project*

*A. Historical background*

On February 11, 1963, the President authorized construction of the 760-bed San Antonio hospital.

The Administrator of the Veterans Administration was advised on April 24, 1963, that the board of trustees, San Antonio Medical Foundation, had formally approved the donation of a site for a new Veterans Administration hospital in the South Texas Medical Center consisting of approximately 34 acres. This site is adjacent to the proposed South Texas Medical School, the University of Texas, and the proposed South Bexar County Teaching Hospital, approximately 8 miles northwest of the center of San Antonio.

*B. Mission*

1. In the fall of 1962 it was determined that a detailed study of the bed needs for Texas would be made. Based on the findings of this study, construction of a new hospital in San Antonio was considered logical for the following reasons, all of which are in accord with VA planning policy to the support of providing the best possible care for the greatest number of veterans.

(*a*) It provides a general hospital with a balanced program of care for both medical, surgical, and neurological and psychiatric patients.

(*b*) It places beds in a population center where they are more accessible to the greatest number of veterans served.

(*c*) It permits reduction of the oversized psychiatric hospital at Waco to a more manageable size and replacement of beds elsewhere to better advantage.

(*d*) Permits reduction at Kerrville to the confines of a reasonably modern facility, thereby providing for more effective utilization of the limited staff available.

(*e*) Permits construction of beds by VA to meet VA's requirements, thereby reducing future replacement requirements by the Army of beds now occupied by VA patients.

2. The hospital will be affiliated with the South Texas Medical School of the University of Texas which has been authorized by the Texas Legislature. The South Texas Medical School will include basically the schools of medicine, dentistry, and pharmacy, plus space for possible future addition of courses in ancillary technologies and courses in paramedical and health-related subjects.

3. A total of 31,000 net square feet of space for research facilities will be provided.

*III. Brief of construction program*

*A. Planning considerations*

1. Maximum air conditioning.

2. A study is being made to determine whether or not a laundry will be built.

3. Day care center.

*B. Bed distribution*

The hospital will have 12 units for psychiatric patients, each of 30 beds; 10 units for medical, surgical, and neurological patients, each of 40 beds.

*IV. Budgeted costs*

| | Medical, surgical and neurological | Neuro-psychiatric | Total |
|---|---|---|---|
| Construction | $10,332,800 | $2,837,900 | $13,170,700 |
| Fallout | 76,000 | | 76,000 |
| Contingencies | 520,400 | 141,900 | 662,300 |
| Technical services | 1,093,000 | 298,000 | 1,391,000 |
| Total | 12,022,200 | 3,277,800 | 15,300,000 |
| Gross square feet | 414,572 | 133,900 | 548,472 |
| Base construction cost per square foot | $23.29 | $20.33 | |

## SAN DIEGO, CALIF.

PROSPECTUS FOR 1,040-BED GENERAL HOSPITAL

*I. Description of project*

This project will provide a wide variety of medical and psychiatric care for eligible veterans in the San Diego, Calif., area. Inpatients will receive care in 1,040 beds, of which 480 will be for psychiatric patients. An existing outpatient facility will be consolidated with the hospital. Affiliation with a new University of California School of Medicine (San Diego) will contribute to favorable staffing ratios and turnover rates.

*II. Justification*

This hospital will meet long-range planning objectives for veterans' care in southern California. This region is one of the few where, because of migration, the number of veterans will rise in the course of the next decade. Construction of additional beds will bring the regional ratio of beds to veterans up to national levels.

*III. Brief of the construction program*

The master plan for the hospital contemplates:

1. Construction of a 1,040-bed hospital with 560 medical, surgical, and neurological beds and 480 psychiatric beds.

2. Provision of various facilities for outpatient care, research, and teaching.

3. Psychiatric beds are planned in two low-lying units. Other beds will be located in a multistory tower, which will provide systems for personnel and supply transport, communications, and medical gases.

*IV. Budgeted costs*

| | General medical and surgical | Neuropsychiatric | Total |
|---|---|---|---|
| New construction | $18,282,000 | $5,458,400 | $23,740,400 |
| Fallout | 95,000 | | 95,000 |
| Contingencies | 918,900 | 272,900 | 1,191,800 |
| Technical services | 1,880,500 | 573,100 | 2,453,600 |
| Total budgeted costs | 21,176,400 | 6,304,400 | 27,480,800 |

These costs assume that a site will be donated, and that steam will be purchased.

| | General medical and surgical | Neuropsychiatric | Total |
|---|---|---|---|
| Gross square feet | 520,901 | 184,502 | 705,403 |
| Base construction | | | |
| Cost per square foot | $33.29 | $28.17 | |

## Hospital Modernization Projects

### BATTLE CREEK, MICH.

PROSPECTUS FOR MODERNIZATION OF FACILITIES (PHASE IV)

*I. Description of the project*

The project provides for modernization of building No. 13 for a general medical and surgical building, and building No. 2 for administration.

*II. Justification*

*A. Historical background*

1. The Battle Creek Hospital is presently operating as a 2,000-bed psychiatric hospital. The original facilities were designed and built by the War Department for the Veterans Bureau in 1923, to provide 734 beds. Subsequent bed additions have resulted in the present operating capacity of 2,000 beds.

2. Previous projects have provided for a new therapeutic exercise clinic building, new theater building, new special activities building, and alterations and additions to various other ancillary buildings.

*B. Mission*

1. On the basis of current population studies and patient demand projections, the long-range bed level for the Battle Creek Hospital has been established at 1,532 beds, a reduction of 468 from the present operating capacity. The reduction is in keeping with the VA policy of transferring beds to areas of greatest patient need and reducing the large hospitals to a size conducive to better patient care and operational effectiveness.

2. The 1,532 beds will include 1,368 phychiatric and 164 M.S. & N. beds. Twenty of the psychiatric beds are projected for use in the foster home program.

*C. Need for the project*

1. The station has a current need for beds to provide medical and surgical care of psychiatric patients. Present facilities for this type of care are totally inadequate.

2. Upon completion of this phase of the program, the balance of the master plan which includes most of the patients' buildings, will be evaluated against the requirements for psychiatric beds, and the master plan will be adjusted accordingly.

*III. Brief of the construction program*

The project will provide the necessary clinical and surgical facilities, supporting administrative services and 164 general medical beds. Included in the project will be the replacement of all interior utilities and fixtures, and two elevators. Building No. 2 will be converted from a bed building to house the administration functions of the hospital.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $2,091,000 |
| Contingencies | 156,800 |
| Technical services | 224,800 |
| Total budgeted cost | 2,472,600 |

| | Building No. 2 | Building No. 13 |
|---|---|---|
| Approximate gross square feet of alterations | 51,448 | 77,531 |
| Base construction cost per square foot | $10.56 | $17.97 |

## COATESVILLE, PA.

### Prospectus for Modernization of Facilities (Phase V)

*I. Description of the project*

The project provides for construction of a new chapel, therapeutic exercise clinic building, replacement of the elevators and boiler plant, and miscellaneous other work.

*II. Justification*

*A. Historical background*

VA hospital, Coatesville, Pa., was opened November 11, 1930, with a capacity of 483 psychiatric beds. Subsequent alterations and additional construction raised the bed level to 1,831. The long-range bed level has been established at 1,602 authorized beds.

*B. Mission*

1. VA hospital, Coatesville, provides a full program of psychiatric care and treatment for veteran patients in the area. In addition to its approved residency program in psychiatry, special training programs have been established in nursing, clinical psychology, social service, and physical therapy. The hospital has been designated as a special treatment center for neurosurgical conditions.
2. The hospital will continue its teaching and active research program in conjunction with five Philadelphia medical schools.

*C. Need for the project*

The proposed project is the final phase of a plan for overall modernization of the hospital.

*III. Brief of the construction program*

1. A chapel will be constructed to replace the makeshift facilities now in use.
2. A therapeutic exercise clinic building will provide the necessary areas for indoor exercise activities.
3. Three-floor elevators in two buildings will facilitate movement of patients and supplies.
4. The boiler plant which has been kept in operation by extensive maintenance will be replaced.
5. Kitchen and dining facilities will be added to a bed building housing semiambulant patients.
6. Alterations will be provided to increase space for research activities.
7. Electrical capacity will be increased to meet the increased demands of a modern hospital.
8. Automatic fire sprinklers will be installed where needed.

*IV. Budgeted costs*

| | Chapel | Other | Total |
|---|---|---|---|
| Construction | $239,100 | $1,254,300 | $1,493,400 |
| Contingencies | 12,000 | 88,100 | 100,100 |
| Technical services | 25,100 | 134,200 | 159,300 |
| Total budgeted costs | 276,200 | 1,476,600 | 1,752,800 |

## DANVILLE, ILL.

### Prospectus for Center Core Building

*I. Description of the projects*

*Phase V.*—This project provides for the construction of a new center core building, modernization of recreation building, No. 60, connecting corridors and outside utilities. The project is part of an overall program of modernization of the hospital.

*II. Justifications*

*A. Historical background*

1. The original group of buildings at VA Hospital, Danville, were constructed by the Army between 1898 and 1900 on a 320-acre site and were used as a home for disabled soldiers. In 1930, the operation of the home was transferred to the Veterans Administration and was converted to a 1,650-bed neuropsychiatric hospital in 1935. Subsequent bed additions have resulted in the present operating capacity of 1,680 beds.

2. A survey was completed in 1956 which formed the basis for the modernization program now in progress. Projects prior to the present one provided for a new theater, an admissions and treatment building of 180 beds, modernization of the G.M. & S. building (originally constructed in 1934) for 235 beds, three new 240-bed general psychiatric buildings, and miscellaneous ancillary facilities.

*B. Mission*

1. On the basis of current population studies and patient demand projections, the long-range bed level for the Danville hospital has been established at 1,175 beds, a reduction of 505 from the present operating capacity. The reduction is in keeping with the VA policy of transferring beds to areas of greater patient needs.

2. The 1,175 beds will include 940 psychiatric and 235 G.M. & S. beds. Sixty of the G.M. & S. beds are projected for patients with conditions other than psychiatric.

*C. Need for the project*

With the exception of six buildings constructed since the transfer of the hospital from the Army, the major structures at Danville have been in use over 60 years.

*III. Brief of the construction program*

1. New construction:
   (*a*) Center core building.
   (*b*) Connecting corridors.
2. Modernization: (*a*) Modernize recreation building.
3. Utilities.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $1,910,100 |
| Contingencies | 99,100 |
| Technical services | 201,000 |
| Total budgeted costs | 2,210,200 |

Approximate gross square feet of new construction, 63,612.
Base construction cost per square foot,[1] $22.73.

[1] Excludes cost of outside utilities and ground development.

## LEXINGTON, KY.

PROSPECTUS FOR MODERNIZATION OF FACILITIES (PHASE I)

*I. Description of the project*

The project provides for construction of 280 M.S. & N. beds and clinical facilities as the first phase of modernization. In subsequent phases 7 existing bed buildings will be modernized for 724 general psychiatric beds; new recreation facilities will be constructed; and the present administration, G.M. & S. building will be modified for administration and research. A master plan is being prepared.

*II. Justification*

*A. Historical background*

1. VAH Lexington was opened in April 1931 as a general hospital with a capacity of 350 beds. Expansion in 1938 increased beds to 600, and other additions between 1945 and 1948 raised the beds to 1,216. Other construction has provided improved dietetic facilities, new central heating plant, utilities, and water storage and pumping system.
2. Authorization has been received for a total of 1,040 beds; however, the exact number is dependent on the future use of existing bed buildings when the master plan is completed.

*B. Mission*

1. Based on population studies and projected demand for beds, the long-range operating bed capacity of 1,040 is projected.
2. This hospital is affiliated with the University of Kentucky School of Medicine. Residency programs are approved for medicine, surgery, and psychiatry. Other training programs include psychology, nursing, social work and library.
3. An extensive research program is in effect which involves medicine, surgery, and psychiatry with the affiliated University of Kentucky Medical Center.
4. 103 consultants and attendants are active in patient care and training.

*C. Need for the project*

The present M.S. & N. facilities are in a building constructed in 1930 and inadequate for patient treatment. General psychiatric buildings, although of more recent construction, do not have facilities required under present-day treatment concepts.

*III. Brief of the construction program*

1. The first phase of modernization will provide in new construction 280 M.S. & N. beds and modern clinical facilities adequate for all patients at this hospital.
2. Subsequent phases will modernize all existing bed buildings and provide recreation requirements in new construction.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $5,122,200 |
| Fallout | 60,000 |
| Contingencies | 272,800 |
| Technical services | 545,000 |
| Total budgeted costs | 6,000,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## LOUISVILLE, KY.

PROSPECTUS FOR MODERNIZATION OF FACILITIES

*I. Description of proposed project*

The project provides for the consolidation of the outpatient clinic with the hospital, increased research facilities, air conditioning, and various other adjustments to meet current medical criteria.

*II. Justification*

*A. Historical background*

The VA hospital, Louisville, Ky., was constructed by the Veterans Administration and activated in 1952. This 494-bed hospital currently contains 205 medical beds, 220 surgical beds, and 69 psychiatric beds.

*B. Mission*

1. The hospital is affiliated with the University of Louisville and University of Kentucky schools of medicine. Residency training programs have been established in the major medical specialities. Undergraduate medical students are rotated through the hospital as part of the medical training. Additional training programs exist in physical medicine and rehabilitation, aphasia, and speech correction, psychology, and social work.
2. These programs are supervised by a joint deans' committee and board certified staff specialists. A group of consultants and attending physicians assist in the development and supervision of the various training programs and actively participate in the care of patients.
3. An active program of medical research is carried on in collaboration with the medical schools.

*C. Need for the project*

1. The project is in keeping with the VA policy of consolidating outpatient clinics into general hospitals to the extent possible.
2. The outpatient clinic is currently located in downtown Louisville. Space is required to permit consolidation of the clinic with the hospital thereby providing a more effective program of patient care.

*III. Brief of the construction program*

A master plan is currently under development which is based upon the following planning considerations:

1. Consolidate outpatient clinic with the hospital.
2. Realine and expand clinical areas within existing space to improve functional interrelationships and accommodate added patient load.
3. Install automation features to the extent feasible.
4. Air condition the entire hospital.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $2,241,500 |
| Contingencies | 112,100 |
| Technical services | 235,400 |
| Total | 2,589,000 |

The budgeted costs are based on costs of comparable projects. The exact total area and square-foot costs cannot be determined until the master plan is completed.

## MARION, ILL.

PROSPECTUS FOR MODERNIZATION OF FACILITIES

*I. Description of the project*

The project provides for complete modernization of the hospital at a bed capacity of approximately 200 beds.

*II. Justification*

*A. Historical background*

1. Marion VAH was constructed in 1942 with a capacity of 160 beds. The currently authorized capacity is 176 beds within the same floor space. There has been no general modernization of this hospital.
2. The hospital is located in a rural area in southeastern Illinois. Since 1942, five quonset huts. four portable barracks buildings, and an incinerator have been added to the building complex.
3. The main building is a five-story H-shaped structure housing all clinical areas, beds, and administration. This building is connected by a multistory

corridor to building No. 2 which houses canteen, dining hall and kitchen, and other support facilities. Other buildings are warehouse, garage, boiler plant, and two quarters buildings.

*B. Mission*

1. The proposed bed increase to 200 M.S. & N. beds will provide for 120 medical and 80 surgical beds. Patients requiring care in other medical specialities will be sent to St. Louis and other VA hospitals in the general area.
2. This is a nonaffiliated hospital which does have a psychology trainee program associated with the University of Illinois branch located at Carbondale, 18 miles from Marion.
3. A staff of 20 consultants and attending physicians actively participate in the care of patients.

*III. Brief of the construction program*

*A. Planning considerations*

1. The project provides for some new construction and realinement of existing space to meet the requirements of a 200 M.S. & N. bed hospital.
2. The hospital will contain the necessary facilities for outpatient treatment and an expanding CBOC program.

*B. Bed distribution*

1. The hospital will contain three medical and two surgical nursing units of approximately 40 beds each.

*C. Physical features*

1. Clinical facilities will be provided to meet the needs of the veteran patients at this hospital.
2. The hospital will contain the following communication and distribution systems:
   (*a*) Centralized tray assembly.
   (*b*) Nurse-patient call system.
   (*c*) Multichannel radio system.
3. Complete air conditioning will be incorporated throughout the hospital.
4. The plan provides for 2,370 square feet of research space for medical, surgery, physical medicine, and psychology research projects. Though the hospital is relatively small a research program is operating and additional space is being projected to meet the needs of the expanding program.

*D. Need for the project*

1. The existing four nursing units were designed to house 160 patients. Today, this figure has reached 176 with no increase in original space. This growth in patient population, growth in clinical procedures, in addition to increased workload, has also caused crowded conditions in the clinical and other support services. Modernization calls for reduction of four beds on each unit and adding one 40-bed nursing unit. This will result in some new construction and realinement of space in existing facilities.
2. This will provide efficient and effective treatment facilities for patients.
3. A congregate dining room will be available for ambulatory and wheelchair patients on a double feeding basis.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $2,159,300 |
| Contingencies | $129,600 |
| Technical services | $228,900 |
| Total budgeted cost | $2,517,800 |
| Approximate gross square feet: | |
| New construction | 10,459 |
| Alterations | 116,600 |
| Base construction cost per square foot: | |
| New construction | $28.08 |
| Alterations | $11.09 |

## PALO ALTO, CALIF. (MENLO PARK DIVISION)

### Prospectus for Construction of New Dining Hall and Kitchen Building

*I. Description of the project*

This project provides for the construction of a new dining hall and central kitchen building to replace the existing building.

*II. Justification*

The existing dining hall and kitchen building is functionally obsolete. The large dining rooms are no longer required since dining space has been provided in some of the patient buildings as they were modernized. Dining space will also be provided in the new bed buildings being constructed in another project.

*III. Brief of the construction program*

This building will provide a food preparation area for the total station storage for subsistence and dining for approximately 400 patients and staff.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $1,077,700 |
| Contingencies | 53,900 |
| Technical services | 113,200 |
| Total, budgeted costs | 1,244,800 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

### Prospectus for Construction of Two 240-Bed Psychiatric Buildings

*I. Description of the project*

The project provides for the construction of two standard 240 psychiatric bed buildings such as are planned for Danville, Ill., and other locations.

*II. Justification*

The Veterans' Administration plans to construct these buildings at the Menlo Park division of the Palo Alto, Calif., hospital, replacing buildings at the station which are functionally obsolete and for which the cost of modernization approaches new construction. Seven buildings have already been modernized at this station to provide 680 psychiatric beds. With the construction of these buildings, the capacity of Menlo Park will be adjusted to 1,160 beds.

Future construction required at this facility consists of a new dining hall and kitchen building, a new therapeutic exercise clinic, conversion of the existing dining hall building for special activities and modernization of existing physical medicine and rehabilitation building, boiler plant, and engineering shops.

*III. Budgeted costs—2 psychiatric buildings*

These will be standard 240-bed units, contain 8 nursing units of 30 beds each, with support dining and clinical facilities. They will be one-story buildings. The total gross area will be 162,678 gross square feet.

IV. *Budgeted costs—2 psychiatric buildings*

| | |
|---|---|
| Construction | $5,015,600 |
| Contingencies | 200,600 |
| Technical services | 458,100 |
| Total budgeted costs | 5,674,300 |

## PERRY POINT, MD.

### PROSPECTUS FOR MODERNIZATION OF FACILITIES PHASE IV

#### *I. Description of project (phase IV)*

Phase IV is the final phasing in the modernization of this VA hospital. It includes modernization of the administration building (9H), ward building (19H), and foster home (80). Complete air conditioning will also be provided under this phase for the entire facility.

#### *II. Justification*

*A. Historical background*

1. The hospital, originally constructed as an ammonia nitrate plant, was transferred by the Public Health Service to the Veterans Administration in 1922 and consisted of 429 neuropsychiatric beds. By 1956 the bed capacity was 1,830 but has since been reduced to 1,500 operating beds.
2. The modernization program for the station began in 1958 with the modernization of patient buildings and improvements to ancillary facilities and contemplates reduction of the bed level to 1,052.

*B. Mission*

1. The proposed distribution of 162 medical, surgical, and neurological beds and 890 psychiatric beds will provide a complete psychiatric care program for the veterans residing in the area.
2. The hospital is affiliated with the University of Maryland School of Medicine and Johns Hopkins University's College of Physicians and Surgeons. Residency training programs have been established in psychiatry, medicine, and surgery. In addition to the joint deans committee and the board certified staff specialists, a large staff of consultant and attending physicians assist in the development and supervision of the residency programs and actively participate in the care of patients. In addition to the affiliated residency training programs, the hospital provides developmental programs in clinical psychology, social service, medical administration, and personnel and engineering.
3. The hospital has an active program of medical research carried on in collaboration with its affiliated medical schools. During a recent year, over 80 research projects were under development; 29 papers were presented to scientific meetings and 44 papers published in scientific journals.

*C. Need for the project*

1. The buildings to be modernized are presently inadequate to the requirements of the patient care program.
2. The modernized hospital with its reduced size and M.S. & N. bed complement will provide complete, efficient, and effective treatment facilities for the veteran patients.
3. This hospital qualifies for 100 percent air conditioning under Federal criteria.

#### *III. Brief of the construction program (phases II, III, and IV)*

*A. Planning considerations*

1. All major buildings have been or will be modernized for beds and necessary support facilities in accordance with current criteria to the extent possible.
2. New construction will include a boiler plant, special activities building, and connecting corridors.

*B. Physical features*

1. A complete range of clinical facilities will be provided for the medical and psychiatric patients.
2. A congregate dining room will be available for ambulant patients, on a double feeding basis. Ward serving kitchens and dining rooms will be provided where needed.
3. The hospital will be completely air conditioned.
4. The site is sufficiently large to provide adequate recreational facilities for the psychiatric patients. Existing at present time is a nine-hole golf course, tennis courts, and ball diamond.
5. The plan provides 13,268 net square feet for research facilities.

6. The hospital will contain the following communication and distribution systems:

(*a*) Centralized tray assembly and mechanical food distribution for infirm patients.

(*b*) Pneumatic tube system in administrative areas.

(*c*) Nurses' call and doctors' paging system for the medical and surgical wards.

(*d*) Multichannel radio with adequate conduit space for future closed circuit television.

*IV. Budgeted costs*

| | *Phase IV* |
|---|---|
| Construction | $1,950,200 |
| Contingencies | 102,600 |
| Technical services | 205,200 |
| Total, budgeted costs | 2,258,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

## SAN FRANCISCO, CALIF.

PROSPECTUS OF MODERNIZATION OF FACILITIES (PHASE IV)

*I. Description of the project*

This project provides for modernization of buildings 1, 2, 4, 5, 6, and 8 as phase IV. This will complete the overall program of modernization of the hospital.

*II. Justification*

*A. Historical background*

1. The present San Francisco hospital consists of 440 general medical and surgical beds. It was constructed by the Veterans Administration in 1933 and contains 23 permanent and 6 temporary buildings.

2. Previous projects have provided for alterations to the dining hall and kitchen building; an addition to the clinical building; modernization and expansion of recreation building; expansion of research facilities; and expansion of parking areas.

*B. Mission*

1. The proposed bed distribution of 395 M.S. & N., 40 TB, and 30 psychiatric beds provides a balanced program of patient care.

2. A new clinical building scheduled for completion this year will provide space to permit consolidation of the outpatient activities from the San Francisco regional office with the hospital. Actual consolidation cannot be accomplished until a substantial portion of the phase IV program has been accomplished.

3. The hospital is affiliated with the University of California School of Medicine with approved residency training programs in the major medical specialties. A staff of consultants and attending physicians assist in the development and supervision of the various residency programs and actively participate in the care of patients.

4. The research program at VA hospital, San Francisco, is extremely energetic. In 1 recent year the hospital conducted 40 separate research projects; had 52 papers presented before scientific and professional meetings, and 44 papers published in scientific and professional journals.

*C. Need for the proposed project*

The buildings at the hospital are now approximately 30 years old and have never been modernized. Necessary medical facilities are not available.

*III. Brief of the construction program*

*A. Planning considerations*

1. In planning the modernization of this facility, emphasis was placed on the arrangement and interrelationship of each hospital activity with respect to the movement of traffic and supplies.

*B. Physical features*

1. The modernization and addition to 25 beds under phase IV will provide the hospital with a complete range of clinical facilities for medical and surgical patients.
2. The hospital will contain a total of 20,000 net square feet of space for research facilities.
3. Because of the outpatient consolidation, parking facilities are being substantially increased under phase III.
4. Connecting corridor, centralized tray service, automatic elevators, nurses' call system, staff-paging system, pneumatic tube system, radio and TV circuits, an audiology clinic, P.M. & R. clinics, morgue, housekeeping facilities, engineering shops, supply administration, and warehouse areas, will be installed or expanded as required in phase IV.
5. A mental hygiene clinic and day care center will be provided as part of the modernization in phase IV.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $3,893,000 |
| Technical services | 389,300 |
| Total budgeted costs | 4,282,300 |

The project covers mainly alterations to existing space and outside services with minimal new construction. The detailed costs for alterations and additions vary extensively from building to building.

## TUSKEGEE, ALA.

PROSPECTUS FOR MODERNIZING DINING HALL AND KITCHEN BUILDING, COMPLETE AIR CONDITIONING OF HOSPITAL, AND CORRECT FIRE AND SAFETY DEFICIENCIES

*I. Description of the project*

This project provides for the removal of obsolete kitchen refrigeration equipment and the conversion of this basement space to engineering shops. Other space in the building will be converted to office space to enable consolidation of activities.

*II. Justification*

Enginering shops are now located in inadequate space in the basement of a quarters buildings. Station management is located in a separate building removed from the patient care activities. This project will eliminate from modernization several buildings by rearrangement of functions.

*III. Brief of the construction program*

Work to be accomplished will consist of:

1. Provide engineering shops.
2. Convert two dining rooms to office space.
3. Modernize tray serving line and one patients' dining room.
4. Convert one dining room to dessert preparation area.
5. Air-condition the reminder of the hospital.
6. Correct fire and safety deficiencies.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $2,717,800 |
| Contingencies | 203,800 |
| Technical services | 292,400 |
| Total budgeted cost | 3,214,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

## Hospital—Other Improvements Projects

### BILOXI, (GULFPORT DIVISION), MISS.

#### Prospectus for Rehabilitation of Electrical Distribution System

*I. Description of the project*

Rehabilitate the primary electric distribution system to provide adequate and dependable electric service.

Electric power and signal services are supplied by cables run in underground ducts and also by cables buried directly in the ground. The directly buried cables are of various types of insulation, of various voltage ratings and are generally quite old.

During the past several years projects for the construction of new buildings or modernization of existing buildings have provided for the installation of underground ducts and manholes for the cables supplying services to those buildings. A new primary switching station, 12 manholes, and approximately 3,000 feet of ducts and cables have been installed. Buildings Nos. 1, 5, 7, 63, 64, 117, and 119 are now served from this installation.

Primary electric power is distributed at 2,400 volts.

*III. Brief of the construction program*

This project provides for extending the underground duct and manhole system to the remaining buildings in the main hospital area so that the station will have a complete modern distribution system.

It is proposed to increase the primary power voltage from 2,400 to 4,160 volts. This will greatly increase the capacity of existing primary equipment and will result in savings on new cables through reduction in size.

Some work will be required in each building to make connections to the new underground system and also for the new primary voltage. Many of the existing transformers are in good condition and can be continued in use by reconnecting and/or relocating them.

A new parkway cable was recently installed from building No. 32 to provide service to quarters buildings Nos. 51, 52, 53, 54, 55, 56, and 65. No changes in this service are contemplated.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $216,000 |
| Contingencies | 16,000 |
| Technical services | 28,000 |
| Total budgeted costs | 260,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

### BROOKLYN, N.Y.

#### Prospectus for Air-Conditioning Project

*I. Description of the project*

Provide air conditioning for the hospital.

*II. Justification*

This project is consistent with VA policy and Federal criteria to provide maximum air conditioning in VA hospitals.

*III. Brief for the construction program*

It is proposed to make the necessary alterations and install the necessary equipment in order to establish maximum air conditioning at an acceptable level of comfort for patients.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $3,383,500 |
| Contingencies | 253,800 |
| Technical services | 363,700 |
| Total budgeted cost | 4,001,000 |

## CANANDAIGUA, N.Y.

PROSPECTUS FOR EXPANDING SEWER-TREATMENT PLANT

*I. Description of the project*

The proposed project will provide a secondary treatment plant in order that sufficient sewage treatment can be attained to prevent excessive stream pollution.

*II. Justification*

The present sewage-treatment facility is operating at a maximum but is inadequate to meet the New York State Health Department requirements and standards for stream pollution control. Efforts were made to connect to the new facility being constructed by the city but this appeared to be uneconomical.

*III. Brief of the construction program*

It is proposed to construct a suitable secondary sewage-treatment plant adjacent to the existing plant on land presently owned by the VA.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $216,000 |
| Contingencies | 11,300 |
| Technical services | 22,700 |
| Total budgeted costs | 250,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

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## CHARLESTON, S.C.

PROSPECTUS FOR NEW LAUNDRY

*I. Description of the project*

The project provides for the construction of and equipping of a laundry building.

*II. Justification*

The director, housekeeping service, advises that 24 laundries, commercial and Federal, in the Charleston area have been contacted and none of them desire to provide laundry service on a contract basis for the new VA Hospital, Charleston, S.C.

A vital and essential part of a hospital operation is the clean linen supply. Since no other laundry facilities are available to the Veterans Administration, it is mandatory that they provide their own laundry service.

*III. Budgeted costs*

| | |
|---|---|
| Construction | $345,400 |
| Contingencies | 18,200 |
| Technical services | 36,400 |
| Total budgeted cost | 400,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

## CHICAGO, ILL. (RESEARCH)

### PROSPECTUS FOR RECOVERY AND INTENSIVE CARE UNIT

*I. Description of the project*

The proposed project will combine the recovery unit and the intensive care unit with a total of 18 beds located on the third floor near the operating suite.

*II. Justification*

The hospital is presently operating an eight-bed recovery room on the third floor near the operating suite. The surgical service wards are located on the 12th, 13th, and 14th floors of the hospital. This arrangement is costly because of staffing, supplies, etc., required for this small separate recovery unit.

*III. Brief of the construction program*

Space arrangements for the combined unit can be made available adjacent to the operating suite. The combined unit will include 10 recovery beds and 8 intensive care beds, 3 of which could be used for isolation. Alterations would include conversion of space now designated for classrooms, locker rooms, shower rooms, and toilets. This space is not now being utilized for purposes intended.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $72,750 |
| Contingencies | 3,625 |
| Technical services | 7,625 |
| Total budgeted costs | 84,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## CLEVELAND, OHIO

### PROSPECTUS FOR DAY CARE CENTER AND MENTAL HYGIENE CLINIC

*I. Description of the project*

The project proposes to establish a day care center and a mental hygiene clinic at the hospital.

*II. Justification*

This project is consistent with VA policy to provide treatment for the mentally disturbed patient. These functions are an integral part of the inpatient-outpatient care and it is necessary that they be a part of the total hospital program.

*III. Brief of the construction program*

It is proposed to make the necessary alteration and/or additions to provide sufficient space to accommodate the two functions within the hospital complex.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $289,800 |
| Contingencies | 27,000 |
| Technical services | 43,200 |
| Total budgeted costs | 360,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## ERIE, PA.

### PROSPECTUS FOR STORM WINDOWS

*I. Description of the project*

Combination self-storing storm windows for all single, double, and triple vent-type casement windows.

*II. Justification*

Present windows are warped and worn resulting in loss of heat, drafts, and increased fuel usage. It is impossible to maintain proper room temperature during high winter winds which are common to the Lake Erie area. The prevailing conditions are hazardous to the health and welfare of both patients and hospital personnel.

*III. Brief of the construction program*

Project proposes to install self-storing combination storm windows on approximately 990 existing windows for this hospital.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $40,000 |
| Contingencies | 3,000 |
| Technical services | 5,200 |
| Total budgeted costs | 48,200 |

The budget costs are based on comparable costs. The exact costs cannot be determined until the complete requirements have been developed.

## FAYETTEVILLE, ARK.

### PROSPECTUS FOR EXPANDED LABORATORY—BUILDING NO. 2

*I. Description of the project*

The project proposes to expand the present laboratory and research areas, provide waiting room space, and provide a corridor from the main hospital building to building No. 2.

*II. Justification*

At present the station is using corridor space as a waiting room. All traffic to and from the registrar division and the admission office must pass through this area. This traffic includes stretcher, accident, and death cases which must be carried through the corridor waiting room area.

*III. Brief of the construction program*

The project involves expanding laboratory and research areas, provide waiting room space for outpatient, pharmacy, and laboratory services and provide a corridor from the main hospital building to building No. 2.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $60,900 |
| Contingencies | 3,100 |
| Technical services | 6,000 |
| Totaled budgeted costs | 70,000 |

## FORT HOWARD, MD.

### PROSPECTUS FOR CANTEEN ALTERATIONS

*I. Description of the project*

The proposed project will provide additional space for the present canteen which is located in building No. 63.

*II. Justification*

The present canteen occupies 2,100 square feet. All canteen functions including kitchen, food line, dining area, and sales section are located in this area. The space available is totally inadequate for all these necessary functions. The proposed addition will provide additional space which will alleviate overcrowded conditions, accommodate the sales section, and release the present sales section to food service activities.

*III. Brief of the construction program*

The proposed project will provide an addition of approximately 549 net square feet to building No. 63. The project also includes moving present toilet facilities which are presently located adjacent to the kitchen.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $16,200 |
| Contingencies | 1,400 |
| Technical services | 2,400 |
| Total budgeted costs | 20,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until the complete requirements have been developed.

FORT LYON, COLO.

PROSPECTUS FOR ENLARGE DENTAL CLINIC

*I. Description of the project*

It is proposed to enlarge the present facilities in order to accommodate necessary prosthetic laboratory equipment, provide an oral surgery room and a waiting room for patients.

*II. Justification*

The station lacks the necessary prosthetic laboratory equipment and a dental laboratory technician. The area presently occupied is overcrowded. There are only three operatories in the clinic, one of which is used by the oral hygienist. There is no space provided for an oral surgery room and there is no waiting room for patients. To date the area chief of dentistry can only give the dental service at this hospital a minimal satisfactory rating.

*III. Brief of the construction program*

It is proposed to make structural changes to increase the size of the dental clinic, building No. 5. This will require changes in rooms 111, 112, 113, 119, 120, and 121.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $9,900 |
| Contingencies | 600 |
| Technical services | 1,500 |
| Total budgeted costs | 12,000 |

FORT WAYNE, IND.

PROSPECTUS FOR AIR-CONDITIONING PROJECT

*I. Description of the project*

Provide air conditioning for the hospital.

*II. Justification*

This project is consistent with VA policy and Federal criteria to provide maximum air conditioning in VA hospitals.

*III. Brief of the construction program*

It is proposed to make the necessary alterations and install the necessary equipment in order to establish maximum air conditioning at an acceptable level of comfort for patients.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $606,000 |
| Contingencies | 45,500 |
| Technical services | 65,200 |
| Total budgeted cost | 716,700 |

## HOUSTON, TEX.

PROSPECTUS FOR WATER STORAGE

*I. Description of the project*

Elevated 500,000-gallon water storage tank including piping and necessary pumps.

*II. Justification*

The present water supply at this hospital is a direct system from the city water mains. The city water system, at times, varies from 20 to 60 pounds of pressure per square inch. This degree of variation is predominant during the periods of June, July, and August and during months of hard freeze. During these time elements, the water pressure drops too low to handle the needs of the station. In January 1962 the station laundry had to be shut down because of low water pressure. The pressure had dropped to 6 pounds and at one point went as low as 2 pounds.

*III. Brief of the construction program*

It is proposed to erect a water spheroid elevated tank or similar tank and necessary lines and pumps.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $130,000 |
| Contingencies | 6,400 |
| Technical services | 13,600 |
| Total budgeted cost | 150,000 |

## KANSAS CITY, MO.

PROSPECTUS FOR ENLARGING CLINICAL LABORATORY

*I. Description of the project*

Enlarge clinical laboratory, provide sufficient office space to eliminate overcrowded conditions.

*II. Justification*

The present clinical laboratory is overcrowded, office space is totally inadequate, and space construction hampers operations. At present, six staff members share an office that is approximately 200 square feet in size. The worst areas of overcrowding are in microbiology, histopathology, hematology, and the blood bank.

*III. Brief of the construction program*

The project proposes to construct a new wing adjacent to the operating suite to permit proper laboratory functions, facilitate the preparation of frozen sections in support of the surgical program, and relieve crowded conditions in the clinical laboratory.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $115,000 |
| Contingencies | 6,500 |
| Technical services | 11,500 |
| Total budgeted costs | 133,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

## LAKE CITY, FLA.

### PROSPECTUS FOR LAUNDRY FACILITIES

*I. Description of the project*

This project will provide a consolidated laundry for the VA hospitals of Lake City, and Gainesville, Fla.

*II. Justification*

*A. Historical background*

1. The 468-bed VA hospital at Lake City, Fla., operates its own laundry. This building was originally built as a powerplant before 1900. Both the building and equipment require extensive modernization.

2. The new VA hospital at Gainesville, Fla., is presently under construction and scheduled for completeion in June 1966. This 480-bed hospital will not have laundry facilities.

3. A study was conducted for the purpose of determining the economy and feasibility of providing a consolidated laundry at the Lake City station. Based upon the findings of the consolidated laundry against contract service study, it was shown that because of the computed cost differences a consolidated VA laundry would be economically feasible.

*B. Mission*

The purpose of this project is to provide a single consolidated laundry at Lake City to serve both hospitals.

*C. Need for the project*

Upon completion of the new VA hospital at Gainesville, Fla., some provision for laundry service must be immediately available. As laundry facilities are not provided, this service must be secured elsewhere. The VA hospital at Lake City is the most logical Government installation to provide this service.

*III. Brief of the construction program*

A. Cost estimates on this project are now being prepared.

B. The fiscal year 1965 and 1966 construction programs include this proposed project for a total of $440,000.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $282,500 |
| Contingencies | 21,200 |
| Technical services | 36,400 |
| Total budgeted cost | 340,100 |

## LONG BEACH, CALIF.

### PROSPECTUS FOR SPINAL CORD INJURY SERVICE OUTPATIENT CLINIC

*I. Description of the project*

The proposed project will establish adequate space facilities for a spinal cord injury service outpatient clinic

*II. Justification*

When building 122 was constructed in 1958, no provisions were provided for outpatient treatment. Outpatient workload has steadily increased since that time to the point where it was necessary to adapt, temporarily, present limited space for this purpose. It is imperative that space be provided to adequately meet the needs of the hospital's outpatient treatment program.

*III. Brief of the construction program*

The proposed project will be located on the southwest corner of building 122 where it will have little or no complication with existing utility systems.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $75,400 |
| Contingencies | 4,700 |
| Technical services | 10,900 |
| Total budgeted cost | 91,000 |

Total budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

MADISON, WIS.

PROSPECTUS FOR CENTRALIZED TRAY AND DISHWASHING FACILITIES

*I. Description of the project*

The proposed project will provide a centralized tray and dishwashing service in the main kitchen area, second floor, C wing, building 1.

*II. Justification*

The centralized service will provide a food service to the patients equal in quality to the present decentralized system as well as being more efficient and economical to operate. The serving kitchens that will be eliminated will make space available to other hospital functions. The conversion project will effect savings by reducing the present dietetic staff by approximately eight employees. Over a 10-year period, the savings will amount to approximately $289,000.

*III. Brief of the construction program*

The propect proposes to convert the employees' dining room into a central tray-preparation area. This area has sufficient space to install one ascending tray conveyor and one dumbwaiter to deliver trays to ward areas. The present salad kitchen area can be converted into a central dishwashing area and two existing dumbwaiters in the present salad kitchen can be converted to descending soiled tray conveyors.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $126,500 |
| Contingencies | 7,500 |
| Technical services | 16,000 |
| Total budgeted costs | 150,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

MUSKOGEE, OKLA.

PROSPECTUS FOR OUTPATIENT CLINIC CONSOLIDATION

*I. Description of the project*

The project proposed to combine the Veterans Administration regional office outpatient clinic with the VA hospital at Muskogee, Okla.

*II. Justification*

The present outpatient clinic is a part of the regional office and is located in the Federal Building, Second and Court Streets, Muskogee, Okla. The clinic is one of the smallest in the system with an average employment of 56 which includes fiscal, personnel, and supply functions. The benefits to be derived by consolidation with the hospital are—

(1) Improved medical service by the merger of the small clinic with the hospital.

(2) Monetary savings through the merger of common services; such as, X-ray, laboratory, pharmacy, registrar, fiscal, etc.

(3) Anticipated increased difficulty with professional staffing will be eliminated.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $193,200 |
| Contingencies | 18,000 |
| Technical services | 28,800 |
| Total budgeted costs | 240,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

NEW ORLEANS, LA.

PROSPECTUS FOR CENTRALIZED TRAY SERVICE

*I. Description of the project*

Project proposed to establish a centralized tray service for food delivery to patients.

*II. Justification*

Centralization of the tray service in a single location will release kitchen space on several floors for reassignment to other medical programs. This facility will reduce staffing and improve manpower utilization in the dietetic service of this hospital. Operational expenses will be reduced as a result of reduction in staffing.

*III. Brief of the construction program*

A tray assembly line will be installed to centralize all food-tray preparation on the fifth floor of this hospital.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $56,000 |
| Contingencies | 3,800 |
| Technical services | 8,200 |
| Total budgeted cost | 68,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

PROSPECTUS FOR DAY CARE CENTER AND MENTAL HYGIENE CLINIC

*I. Description of the project*

The project proposes to establish a day care center and a mental hygiene clinic at the hospital.

*II. Justification*

Adequate space was not provided in the original design and subsequent projects for this hospital to house the day care center and the mental hygiene clinic. It has been necessary to make arrangements for GSA-leased space to accommodate these two activities. To be most effective, these activities should be located at the hospital with access to all the other medical services. This is consistent with VA policy to make available total inpatient-outpatient medical care at one location.

*III. Brief of the construction program*

The project proposes to construct additional space at the New Orleans hospital to house these functions.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $289,800 |
| Contingencies | 27,000 |
| Technical services | 43,200 |
| Total budgeted costs | 360,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

NEW YORK, N.Y.

PROSPECTUS FOR EMERGENCY GENERATOR

*I. Description of the project*

The project is to provide an additional emergency generator for more services requiring electricity in the event of a power failure.

*II. Justification*

The hospital has a limited emergency electrical system which does not afford complete power service for those areas and functions that require coverage at all times. A critical deficit continues to exist in long accepted and reasonably expected patient care and safety precautions so long as there is no provision whatever to operate any elevators in this 18-story hospital during a power failure. There have been three major electrical power failures in the midtown Manhattan area in the past 8 years.

*III. Brief of the construction program*

The project proposes to provide sufficient emergency power to operate all necessary functions of the hospital.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $48,300 |
| Contingencies | 4,500 |
| Technical services | 7,200 |
| Total budgeted costs | 60,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

NORTH LITTLE ROCK, ARK.

PROSPECTUS FOR ENLARGED CANTEEN

*I. Description of the project*

The proposed project will enlarge present canteen facilities for a more sanitary and efficient operation.

*II. Justification*

The present canteen is inadequate primarily due to being continuously overcrowded by patrons desiring service. Due to the size and the number of patrons it is virtually impossible to keep the canteen clean. The kitchen area is highly congested with equipment, supplies, and personnel and is almost impossible to maintain any type of acceptable housekeeping. Patients' visitors who patronize the canteen get the impression that the entire hospital resembles the canteen.

*III. Brief of the construction program*

The project proposes to convert the entire basement of building 65, except for one area, into canteen facilities to include barber service and a retail sales store.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $124,600 |
| Contingencies | 9,300 |
| Technical services | 16,100 |
| Total budgeted costs | 150,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

PALO ALTO, CALIF.

PROSPECTUS FOR INTENSIVE TREATMENT UNIT

*I. Description of the project*

Intensive care unit complete with necessary building service and fixed operating equipment for adequate operation.

*II. Justification*

The project is necessary in order that the present 3-bed unit may be increased to a 12-bed ward intensive care unit. Present unit is inadequate, inefficient and far too small to provide sufficient facilities to furnish satisfactory intensive care for patients. The size of the medical and surgical service at this hospital occupies 351 beds. Due to limited space in the present intensive care unit, many critical and seriously ill patients requiring intensive care treatment and services are scattered throughout several wards. This situation causes additional work for the ward nursing units as well as other services in the hospital.

*III. Brief of the construction program*

Accomplishment of this project will consist of removing nonbearing partitions, relocation of utility lines, installation of sinks, sterilizer, lighting fixtures, etc., and installation of air conditioning.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $58,100 |
| Contingencies | 4,400 |
| Technical Services | 7,500 |
| Total budgeted cost | 70,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

PITTSBURGH, PA. (GM)

PROSPECTUS FOR INTENSIVE TREATMENT UNIT

*I. Description of the project*

The project proposes an intensive care unit.

*II. Justification*

Present facilities for intensive treatment are improvised and located too far from the surgical suite. There is an increasing number of patients undergoing extensive major surgery including neurosurgical procedures, especially central nervous system and cardiovascular operations. At present there are no surgical isolation facilities. Critically ill patients cannot be monitored by the nursing service unless other areas of the hospital sacrifice their nursing coverage.

*III. Brief of the construction program*

The proposed project involves alterations to the east wing, third floor of building 1 and special requirements for air conditioning.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $54,900 |
| Contingencies | 4,100 |
| Technical services | 7,100 |
| Total budgeted cost | 66,100 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## ROSEBURG, OREG.

### PROSPECTUS FOR ALTERATIONS FOR CANTEEN

*I. Description of the project*

Alterations to existing facilities to provide additional space for canteen.

*II. Justification*

Present space now occupied by the canteen is located in the recreation building. This space is needed for the recreation and volunteer services programs and is inadequate for all functions because of overcrowding. This condition contributes to inefficient operation of the canteen as well as the other services located there.

*III. Brief of the construction program*

Project proposes to relocate the canteen if suitable space can be found. In the event a space survey fails to reveal an acceptable area, new construction will be proposed.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $83,100 |
| Contingencies | 6,200 |
| Technical services | 10,700 |
| Total budgeted costs | 100,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## ST. CLOUD, MINN.

### PROSPECTUS FOR LAUNDRY ALTERATIONS

*I. Description of the project*

Laundry alterations.

*II. Justification*

Due to the physical arrangement and lack of space, the hospital is unable to install a partition wall in the laundry to separate the clean linen from the soiled. The new addition will provide the required space necessary to eliminate the exposure of fresh linen to soiled linen and comply with the standards of the Joint Commission on Accreditation of Hospitals.

*III. Brief of the construction program*

It is proposed to increase the size of the present laundry by new construction and to make necessary alterations to existing space.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $28,800 |
| Contingencies | 2,800 |
| Technical services | 4,400 |
| Total budgeted costs | 36,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until the complete requirements have been developed.

## SAN FERNANDO, CALIF.

### PROSPECTUS FOR ENLARGED RADIOLOGY—BUILDING 43

*I. Description of the project*

Remodel radiology department, first floor, building 43.

*II. Justification*

Due to the changeover of beds from TB to G.M. & S., the hospital lacks the necessary equipment to accomplish the growing number of examinations and tests which are required in GM hospital.

*III. Brief of the construction program*

The project proposes to expand and remodel the present radiology department to house additional equipment.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $71,000 |
| Contingencies | 5,000 |
| Technical services | 8,000 |
| Total budgeted cost | 84,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

SAN FERNANDO, CALIF.

PROSPECTUS FOR CONVERT WARDS FROM TB TO GM

*I. Description of the project*

Convert first floor of ward 4 and second floor of ward 5 in building 1 from TB to G.M. & S. beds.

*II. Justification*

Building 1 is strategically located adjacent to building 43 which houses all the hospital clinics. The present layout and condition of building 1 restricts its use to ambulant or semiambulant patients. Work areas are inadequate and there is poor untilization of space because of interior design. The conversion is necessary in order that the facility can be used to house sick medical patients.

*III. Brief of the construction program*

The project proposes to make the necessary interior changes to equip the area with multibed wards for use as G.M. & S.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $123,500 |
| Contingencies | 6,500 |
| Technical services | 13,000 |
| Total budgeted cost | 143,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

SEPULVEDA, CALIF.

PROSPECTUS FOR ENLARGED LAUNDRY

*I. Description of the project*

Enlarge present laundry facilities to absorb the increased workload in providing service to the new Los Angeles hospital.

*II. Justification*

The proposed project will eliminate the necessity of providing a separate laundry at the new VAH, Los Angeles and will be more economical than having the work done by local contract.

*III. Brief of the construction program*

The project will provide a new unloading dock and concrete slab on the east side of the building, a new dock entrance and concrete drive on the west side and a new addition to the existing laundry.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $68,000 |
| Contingencies | 5,000 |
| Technical services | 8,000 |
| Total budgeted cost | 81,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

SEPULVEDA, CALIF.

PROSPECTUS FOR OUTPATIENT CLINIC CONSOLIDATION WITH HOSPITAL

*I. Description of the project*

This project provides for the consolidation of an outpatient clinic with the hospital at VAH Sepulveda, Calif.

*II. Justification*

The existing outpatient clinic, located in the Southern Pacific Building, presently serves the entire Los Angeles area. This project is in accordance with the VA policy of locating the outpatient clinic within the hospital setting, whenever practicable. It is planned to distribute the current outpatient workload between existing hospitals at Wadsworth and Sepulveda and the proposed Hazard Park Hospital. Sepulveda is to absorb a portion of the outpatient care for the Los Angeles area.

*III. Brief of the construction program*

Consolidation of the outpatient clinic with the hospital will require provision of certain new clinical facilities and modification of other hospital facilities in accordance with present criteria to meet needs created by the additional workload. These adjustments to existing space and enlargement and relocation of clinical functions will require the construction funds requested.

*IV. Budgeted cost*

| | |
|---|---|
| Construction | $475,000 |
| Contingencies | 25,000 |
| Technical services | 50,000 |
| Total budgeted cost | 550,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until complete requirements have been developed.

TOMAH, WIS.

PROSPECTUS FOR ELEVATORS—BUILDINGS 403 AND 406

*I. Description of the project*

Provide elevators in existing shafts in buildings 403 and 406.

*II. Justification*

The need for elevators in buildings 403 and 406 has become critical. Without elevators, elderly patients in these buildings are required to walk up and down two long flights of stairs many times a day. Attempts to reduce the frequency of patients' trips up and down the stairs have been made by locating dayrooms on the first floors and dormitories on the second floors.

*III. Brief of the construction program*

Project proposes to install elevators in shafts that were provided in the original construction. Work will consist of making doors for each floor and installing the necessary sheave beams, machinery platforms, walk, and lead plates.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $50,000 |
| Contingencies | 4,000 |
| Technical services | 8,000 |
| Total budgeted cost | 62,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## WADSWORTH, KANS.

PROSPECTUS FOR NEW CANTEEN

*I. Description of the project*

New Canteen between buildings 89 and 90.

*II. Justification*

The present canteen is crowded in an area of approximately 800 square feet on the ground floor in building 89. Food service is confined to a limited snack bar with limited seating. Space for displaying merchandise is limited which results in an inefficient operation. During peak periods when the canteen is open, there is congestion in the corridors with patients in wheelchairs and on litters. There is no kitchen space provided in the canteen and an insufficient amount of space is available for storage.

*III. Brief of the construction program*

Project proposes to construct a new building between buildings 89 and 90. Provide access from corridors connecting buildings 89 and 90.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $83,100 |
| Contingencies | 6,200 |
| Technical services | 10,700 |
| Total budgeted cost | 100,000 |

## WEST ROXBURY, MASS.

PROSPECTUS FOR INTENSIVE-TREATMENT UNIT

*I. Description of the project*

New eight-bed, intensive-care unit.

*II. Justification*

The hospital is presently utilizing a unit which consists of only three beds. Since this unit is inadequate, patients who should be in an area for intensive care are being placed in the wards. These patients are unable to get the care and attention they need. There is a need for more space to provide the necessary equipment to support the intensive-care unit as well as special nursing which is required. There is also a need to take care of patients that require isolation.

*III. Brief of the construction program*

The project proposes to remove a wall separating two four-bed wards and widen two doors and the corridor. It is also proposed to drop the ceiling for air-conditioning ducts and provide a wall-partitioned space to house two beds for isolation of patients within the intensive-care unit.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $21,500 |
| Contingencies | 1,200 |
| Technical services | 2,300 |
| Total budgeted costs | 25,000 |

The budgeted costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements have been developed.

## EIGHT HOSPITALS

### Prospectus for Fiscal Year 1966 Medical and Surgical Services in Psychiatric Hospitals

This program was established as part of the long-range plan to provide adequate medical and surgical facilities in VA psychiatric hospitals. This plan is a movement toward the general hospital concept on a national basis and is predicated on the assumption that an institution staffed and equipped to represent all medical specialities can render better patient care.

The goals of this long-range plan are (1) to establish a minimum number of medical and surgical beds in each psychiatric hospital in order to achieve the general hospital concept, (2) the identification and support of those phychiatric medically infirm (PMI) patients who are the responsibility of the psychiatric service but are in need of additional nursing care and G.M. & S. consultation service, and (3) to accept nonpsychiatric medical and surgical patients into the hospital directly from the community.

At present there are a few psychiatric hospitals operating an adequate medical and surgical service for their PMI patients but not enough to accept patients diriectly from the community. There are others with the capability but needing more support and still others without adequate resources to treat medical or surgical patients from within the hospital itself.

The plan proposes to establish a G.M. & S. service of approximately 70 beds in all VA psychiatric hospitals. There are three psychiatric hospitals scheduled under this plan for fiscal year 1965 and it is planned to accomplish eight more in fiscal year 1966.

## ELEVEN HOSPITALS

### Prospectus for Fiscal Year 1966 Renal Dialysis Units

Research within the VA and by others has demonstrated the effectiveness of renal dialysis treatment in rehabilitation and prolongation of life in carefully selected patients. Preliminary studies indicate that between 200 and 600 such patients may be anticipated in the VA each year.

It is planned to activate these centers in various VA hospitals througout the country to give nationwide coverage. To date two such centers have been activated with preliminary support, one at VA Hospital, Hines, Ill., and one at VA Center, Los Angeles, Calif. Nine additional units are planned for fiscal year 1965. It is to be expected that the experience gained at these centers will be of great value in planning the activation of 11 units that are proposed in the fiscal year 1966 construction program.

The program proposes to establish an 8- to 10-bed unit in each of the 11 hospitals. It has been established that this number of beds is necessary in order to operate in the best interest of the patient as well as maximum efficiency in utilization of personnel and facilities.

An amount of $825,000 has been budgeted to accomplish the necessary adjustments in space and areas of the hospital in order to establish the 8- to 10-bed units. These costs are based on comparable costs. The exact areas and square-foot costs cannot be determined until the complete requirements for each facility have been developed.

## ONE HOSPITAL

### Blind Rehabilitation Center, Fiscal Year 1966

This program was designed to provide rehabilitation to veterans who have no useful sight or whose sight has been severely impaired.

The incidence of blindness and severe visual impairments among the veteran population is increasing due to the aging factor. The potential blind veteran

population facing the VA in the not to distant future, who will be eligible for rehabilitative services, is sizable.

VA is currently operating a rehabilitation center for the blind at VA Hospital, Hines, Ill. This center was established in 1948 and is the only federally operated center in the country.

Due to the limited facilities available and the growing need for more centers, it is planned to establish an additional one on the west coast. It has been tentatively planned to locate the west coast blind center at VA Hospital, Palo Alto, Calif. (Menlo Park Division).

## Hospital Research Facilities Projects

### BOSTON, MASS.

#### Prospectus for Research Addition

*I. Description of the project*

The project provides for new construction and alterations for additional research space.

*II. Justification*

*A. Historical background*

The expansion of health-related research since World War II has far exceeded the planning and construction of laboratory facilities. With respect to the VA hospital at Boston, the problem has been compounded by the subsequent growth in research due to the hospital's affiliation with the Boston and Tufts Universities. This problem has been met, in part, by the conversion of clinical space and other small, diverse, and widely scattered areas throughout the hospital. This expedient has produced laboratories which are inefficient.

*B. Mission*

1. The hospital employs 67 full-time research investigators and three clinical investigators. There are 17 grant-fund employees that are financed and administered by the participating universities. This group is conducting research in surgery, medicine, neurology, psychiatory, radioisotope, central nervous system, and reactions of certain proteins on the red blood cells.

2. The research functions in this hospital presently occupy space which is insufficient to the needs and is not centrally located for efficient operation.

*III. Brief of the construction program*

The long-range plan for this hospital is presently established at 33,826 net square feet for research. Research functions presently occupy 14,699 net square feet of space in various locations within the hospital. At present there is a project under construction which will provide 3,660 net square feet. The project that is being proposed will provide a net increase of 15,467 net square feet of space. It is planned to construct 19,410 net square feet of space and return 3,943 net square feet of space, presently occupied by research, to other hospital functions.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $1,006,300 |
| Contingenies | 50,300 |
| Technical services | 105,700 |
| Total budgeted cost | 1,162,300 |

### CHARLESTON, S.C.

#### Prospectus for Additional Research

*I. Description of the project*

The project provides for the construction of additional research space.

*II. Justification*

To expedite the construction of this hospital the basic plans for the nonaffiliated Martinez Hospital were used and provide 6,200 net square feet of space for re-

search. The affiliation program with the Medical College of South Carolina has generated the need for a total research program of 23,700 net square feet, an increase of 17,500 net square feet over the original plans for the hospital.

*III. Budgeted costs*

| | |
|---|---|
| Construction | $431,800 |
| Contingencies | 22,700 |
| Technical services | 45,500 |
| Total budgeted cost | 500,000 |

## CHICAGO, ILL. (RESEARCH)

### Prospectus for Conversion of Nurses Quarters to Research

*I. Description of the project*

The project proposes to convert existing nurses quarters to provide animal research facilities.

*II. Justification*

There exists at this station an acute need for additional animal research facilities. Due to the growth of the research program it has become necessary to make more space available for this function.

*III. Brief of the construction program*

The proposed project involves the conversion of the nurses quarters which are physically attached to the east wing. At present one-half of one wing is closed and not in use. This area when converted, will be used to house both large and small animals. The long-range plan for this hospital is presently established at 29,760 net square feet. Research functions currently occupy 23,360 net square feet of space. This project will provide an additional 6,400 net square feet of space for research.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $207,700 |
| Contingencies | 19,300 |
| Technical services | 31,000 |
| Total budgeted costs | 258,000 |

## CHICAGO, ILL. (WEST SIDE)

### Prospectus for Additional Research Space

*I. Description of the project*

This project provides for construction of additional research space at VA Hospital, Chicago (West Side), Ill.

*II. Justification*

*A. Historical background*

This 495-bed general medical and surgical hospital is affiliated with the University of Illinois Medical School, Chicago Medical School, and Stritch School of Medicine of Loyola University. In addition to the standard teaching affiliations, training programs are maintained in nursing, social-work service, clinical psychology, and medical records library service. There is an active research program at this hospital with participation by all services.

*B. Mission*

1. The hospital has a large animal laboratory and a very active radioisotope unit. Because of the active dean's committees of the medical schools affiliated with this hospital, a number of papers are regularly presented and published on the research studies which are being conducted at this station.

2. The research functions in the hospital presently occupy 6,750 net square feet. The research activities of this station are scattered throughout the building and centralization of the facilities in addition to their expansion is required.

*III. Brief of the construction program*

The project will provide the station with 12,000 additional net square feet of research space which is in keeping with long-range requirements of 18,750 net square feet for this facility. The cost estimate is based upon comparable projects. The exact amount of space to be provided and the specific costs cannot be determined until the details of the project are developed.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $465,500 |
| Contingencies | 24,500 |
| Technical services | 51,000 |
| Totaled budgeted costs | 541,000 |

## CINCINNATI, OHIO

PROSPECTUS FOR RESEARCH WING

*I. Description of the project*

The project provides for new construction and alterations for additional research space.

*II. Justification*

*A. Historical background*

This is a 477 general medical and surgical hospital affiliated with the University of Cincinnati, College of Medicine. The research program at this hospital is well rounded with specialties in medicine, surgery, pulmonary, and radioisotopes.

*B. Mission*

1. The hospital employs 39 full-time research employees including 3 of the VA's 60 clinical investigators. These employees and 53 professional investigators carried out 48 projects in fiscal year 1962.
2. The research functions in this hospital are presently located in areas that are insufficient to the needs and is not centrally located for efficient operation.

*III. Brief of construction program*

The long-range plan for this hospital is presently established at 18,792 net square feet for research. At present, the research functions occupy 15,189 net square feet of space in various locations within the hospital. There is a project already approved that will provide 1,847 net square feet for research. This project will provide for the construction of 14,362 net square feet of research space and make alterations to 12,606 net square feet of the existing area now used for research and return this space to hospital use.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $1,187,900 |
| Contingencies | 71,300 |
| Technical services | 125,900 |
| Total budgeted cost | 1,385,100 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

## IOWA CITY, IOWA

PROSPECTUS FOR ADDITIONAL RESEARCH SPACE

*I. Description of the project*

This project provides for construction of additional research space at VA Hospital, Iowa City, Iowa.

*II. Justification*

*A. Historical background*

This 456-bed hospital has a very active and close affiliation with the State University of Iowa Medical School. Special studies are being developed in

radioisotopes, X-ray laboratories, and in tumor research. Surgical staff members are specialists in general, cardiac, cancer, and chest surgery and neurosurgery. An active training program has been established for medical residents and clinical psychologists. The research program in the hospital encompasses a broad range of projects carried on by a diverse or energetic group of investigators. A number of papers have been published in professional and scientific journals.

*B. Mission*

1. The hospital employes 29 full-time research employees being paid from VA research funds. This does not include any of the physicians who guide the individual research programs and those whose salaries are paid from hospital funds. There are 10 research personnel paid from university grant funds.

2. The research program has developed excellent investigative studies which hold considerable promise. The need to expand the research program has become acute and space is at a premium; many individuals who desire to do research are being denied the opportunity simply because space is not available. The research functions in this hospital presently occupy 9,137 square feet of space. It is proposed to construct 8,000 net square feet of additional research space to provide the total of 17,137 net square feet as established in the long-range plan.

*III. Brief of the construction program*

The project will provide the station with additional research space in keeping with long-range requirements for research facilities.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $465,500 |
| Contingencies | 24,500 |
| Technical services | 51,000 |
| Total budgeted costs | 541,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

## JACKSON, MISS.

PROSPECTUS FOR PROJECT TO EXTEND ANIMAL HOUSE FOR RESEARCH

*I. Description of the project*

The project proposes to extend the animal house for additional research space.

*II. Justification*

This station has inadequate space for surgical operations in the laboratory. In order to expand the surgical research program, an area to house an additional 100 canine animals will be necessary. There are at present no existing areas within the proximity of the present surgical research facilities.

*III. Brief of the construction program*

The project involves the construction of 1,450 net square feet of additional space on the east wing of the existing animal research facility. The long-range plan for this hospital is presently established at 8,196 net square feet for research. Research functions presently occupy 6,746 net square feet of space.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $56,000 |
| Contingencies | 5,000 |
| Technical services | 8,000 |
| Total budgeted costs | 69,000 |

The budgeted costs are based on comparable costs. The exact areas and square foot costs cannot be determined until the complete requirements have been developed.

## MADISON, WIS.

### PROSPECTUS FOR ADDITIONAL RESEARCH SPACE

*I. Description of the project*

This project provides for construction of additional research space at VA Hospital, Madison, Wis.

*II. Justification*

*A. Historical background*

The VA Hospital, Madison, Wis., is a 457-bed G.M. & S. hospital affiliated with the Medical School of the University of Wisconsin. Many of the investigators hold professorial and teaching appointments at the school. As a result of this active affiliation, it has been possible for the staff to attract and hold highly skilled professional personnel who are outstanding not only in their specialty, but also in many fields of medical research. In order to allow this dynamic group to expand its research program, the addition of substantial research facilities is proposed.

*B. Mission*

This hospital now employs 25 full-time employees currently being paid from VA research funds. There are also a number of physicians who participate in research whose salaries are paid from hospital funds.

*III. Brief of the construction program*

The long-range plan for this station is 16,289 net square feet for research. Research functions presently occupy 6,992 net square feet of space. There is a project under construction that will provide 4,810 net square feet of space for research for a total of 11,802 net square feet. The proposed project will provide 8,000 net square feet of new space and release 3,504 net square feet of existing research space to other hospital functions.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $465,500 |
| Contingencies | 24,500 |
| Technical services | 51,000 |
| Total budgeted costs | 541,000 |

The budgeted costs are based on comparable costs. The exact areas square-foot costs cannot be determined until the complete requirements have been developed.

## NEW ORLEANS, LA.

### PROSPECTUS FOR CONVERSION OF EXISTING SPACE TO RESEARCH

*I. Description of the project*

Convert existing space to research.

*II. Justification*

The space now occupied by research investigators is planned to be returned to clinical use. In order for the present research program to continue it will be necessary to provide space for research elsewhere in the hospital.

*III. Brief of the construction program*

The project proposes to make the necessary alterations to existing facilities to provide for the relocation of the present research laboratories.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $62,800 |
| Contingencies | 5,800 |
| Technical services | 9,400 |
| Total budgeted costs | 78,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until the complete requirements have been developed.

## NEW YORK, N.Y.

### PROSPECTUS FOR CONVERSION OF WARD SPACE TO RESEARCH

*I. Description of the project*

Convert ward space to research in order that research functions may be expanded.

*II. Justification*

In order to attract and retain a high caliber professional staff in affiliation with the New York University Medical School, it is necessary that additional space be provided for research functions. The present area assigned to research is inadequate and deficient for the type of laboratories that are essential in carrying out necessary research as well as housing an electron microscopy suite.

*III. Brief of the construction program*

The project proposes to convert the medical (dermatology) ward of wing 16, building 1 to research space.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $287,400 |
| Contingencies | 26,800 |
| Technical services | 42,800 |
| Total budgeted costs | 357,000 |

The budgeted costs are based on comparable costs. The exact total areas and square foot costs cannot be determined until the complete requirements have been developed.

## PHOENIX, ARIZ.

### PROSPECTUS FOR CONVERSION OF NURSES QUARTERS TO RESEARCH

*I. Description of the project*

Convert existing nurses quarters to research space.

*II. Justification*

The research program at this hospital has increased phenomenally over the past 2 years as a result of additional investigator-physicians being attracted to the expanding research program. This has created an overloading of present facilities which has in turn affected the research mission.

*III. Brief of the construction program*

The project proposes to convert one or two of the three existing nurses quarters buildings to research space. These buildings contain duplex and single apartment units.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $158,600 |
| Contingencies | 14,800 |
| Technical services | 23,600 |
| Total budgeted costs | 197,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until the complete requirements have been developed.

## WEST HAVEN, CONN.

### PROSPECTUS FOR CONVERSION OF BUILDING 2 TO RESEARCH

*I. Description of the project*

To provide additional research facilities in building 2.

*II. Justification*

At present there is a problem of duplication of equipment and personnel in the pursuit of research projects. This problem is due to the location of research space in various areas of the hospital. With the additional space it is planned to centralize research programs having a common goal and expand the research program to facilitate the advent of new and demanding problems confronting the field of medicine.

*III. Brief of the construction program*

The project proposes to convert a portion of building 2, which is currently being used for pulmonary disease, to research.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $153,000 |
| Contingencies | 14,200 |
| Technical services | 22,800 |
| Total budgeted costs | 190,000 |

The budgeted costs are based on comparable costs. The exact total areas and square-foot costs cannot be determined until the complete requirements have been developed.

## DOMICILIARY PROJECTS

## WOOD, WIS.

### PROSPECTUS FOR MODERNIZATION OF FACILITIES

*I. Description of the project*

The project provides for conversion of two hospital buildings to a domiciliary after activation of a new hospital building now under construction. Day care and research facilities will be installed.

*II. Justification*

*A. Historical background*

1. Veterans' Administration Center, Wood, Wis., is a 1,250-bed general medical and surgical hospital and 1,661-bed domiciliary. It is located within the northwest city limits of Milwaukee, approximately 4 miles west from the center of the city.

2. The domiciliary was constructed by the National Home for Disabled Volunteer Soldiers in 1867 and transferred to the Veterans' Administration in July 1930 by Executive Order 5398. The domiciliary was known as the Milwaukee Soldiers Home until 1937 when the name was changed to Wood.

3. The main G.M. & S. hospital building at Wood was constructed in 1922 with a capacity of 937 (now 1,007) beds. In 1932 the neuropsychiatric annex of 226 beds was constructed. These are the two buildings which will be converted for domiciliary use.

4. A 1,264-bed G.M. & S. hospital, including regional office medical facilities, a new boiler plant and a new chapel are now under construction.

*B. Mission*

1. Domiciliary capacity will be reduced to 1,080 beds including 106 nursing home-care patients. This number can be provided for in the existing hospital buildings after provision has been made for day care and research facilities.

*C. Need for the project*

1. The domiciliary buildings are of frame construction with masonry exterior walls. They have far exceeded their useful life and are in urgent need of

replacement. Hospital buildings are structurally sound and can be adapted to domiciliary use after they are vacated upon activation of the new hospital building.

*III. Brief of the construction program*

*A. Building No. 43*

Modernize for—

1. Ambulant domiciliary members such as—
   (*a*) former patients on trial visit;
   (*b*) community placement candidates;
   (*c*) incentive therapy participants; and
2. Day care center and mental hygiene clinic.

*B. Building No. 70*

Modernize for—

1. General domiciliary members;
2. Nursing home-care patients; and
3. 20,000 net square feet of research space.

*C. Both buildings Nos. 43 and 70*

Alter for 25-year life expectancy:

1. Partition changes to be kept to a minimum in bedrooms, and on an as-required basis in the conversion of clinical, administrative, and other support areas.

2. Restoration of mechanical, electrical, and similar utility systems to first-class condition; repair or replacement of roof, elevator, toilet facilities, and windows as required; air conditioning limited to nursing care, sick call, and research areas.

*IV. Budgeted costs*

| | |
|---|---|
| Construction | $5,189,900 |
| Contingencies | 389,200 |
| Technical services | 558,000 |
| Total budgeted costs | 6,137,100 |
| Approximate gross square feet of alterations | 395,821 |
| Base construction cost per square foot | $12.72 |

RESEARCH ON THE AGING

Mr. EVINS. Before we leave medical research I would like to ask what is being discovered in this research on the aging. What is your research in this field developing?

Dr. MUSSER. There are two major areas in which we are conducting research in aging, the sociological and the biochemical and metabolic. The area in which we are making the greatest progress is metabolic and biochemical. We have been able to establish a series of laboratories over the country that are studying various diseases that have a greater incidence as people get older, and also the aging process itself. One of the diseases, of course, is arteriosclerosis, hardening of the arteries. For instance, at Los Angeles we have a study in our domiciliary in which the effects of diets containing regular fat and diets containing certain types of fatty acids are being compared. This is turning out some very interesting results in terms of whether or not you can affect the cholesterol by virtue of diet.

We are also doing other studies in terms of the use of female sex hormones, for example, in the treatment of patients who have hardening of the arteries. This has become rather a popular way of treating patients and we are trying to determine whether this is a valid treatment.

We are also going into the genetic aspects of aging: Is it true that people born into families in which longevity has been the rule do in fact live longer and suffer less from diseases associated with aging?

Mr. EVINS. In other words, whether the disease is hereditary?

Dr. MUSSER. We want to know if this is a factor.

Also, we are going into the aspects of the way cells function. We are studying the actual components of cells and trying to determine what changes perhaps take place in them over a period of time as a person ages.

Mr. EVINS. With drugs and medicines you are able to stimulate them, but are you able to extend life expectancy to any extent?

Dr. MUSSER. At the present time, no, sir. Of course we would gain a great deal if only we could keep people from seeming older.

## GENERAL ADMINISTRATION—CONSTRUCTION

Mr. EVINS. Let us go back and pick up "General administration." Heretofore this was funded under "Medical administration and miscellaneous operating expenses." The committee urged that it be shown with the construction amount in order to simplify the budget presentation.

We shall insert pages 1–21 and 1–22.

(The pages follow:)

### GENERAL ADMINISTRATION

#### GENERAL STATEMENT

The "General administration" activity provides for all costs of the Office of the Assistant Administrator for Constuction that are not capitalized for construction projects. It includes the cost of development of projects through the preliminary plan stage, and the cost of other administrative and staff activities of the Office of the Assistant Administrator for Construction (including safety and fire protection and real estate staff).

Prior to fiscal year 1966, these costs were funded under the "Medical administration and miscellaneous operating expenses" appropriation. They are now included in this appropriation in order to aline our appropriation structure with our organization structure. This conforms to the suggestion of the chairman of the House Independent Offices Appropriations Subcommittee, and simplifies the budget presentation of the Office of Assistant Administrator for Construction.

For fiscal year 1966 we are requesting $2,006,000 for this purpose, or an increase of $41,000 over the amount required in fiscal year 1965.

The following pages provide a more detailed explanation of this request.

*Summary of requirements by object*

| Item | Fiscal year 1964 actual | Fiscal year 1965 estimated | Fiscal year 1966 estimated | Increase (+) or decrease (−), 1966 over 1965 |
|---|---|---|---|---|
| Average employment | 163.9 | 165 | 165 | |
| 11 Personnel compensation | $1,502,058 | $1,642,570 | $1,648,680 | $6,110 |
| Permanent positions | (1,500,008) | (1,636,570) | (1,642,680) | (6,110) |
| Positions other than permanent | (2,050) | (6,000) | (6,000) | |
| 12 Personnel benefits | 111,189 | 118,660 | 119,320 | +660 |
| Total, personnel compensation and benefits | 1,613,247 | 1,761,230 | 1,768,000 | +6,770 |
| 21 Travel and transportation of persons | 32,147 | 35,500 | 38,500 | +3,000 |
| 22 Transportation of things | 3,778 | 4,000 | 4,000 | |
| 23 Rent, communications, and utilities | 16,051 | 16,500 | 16,500 | |
| 24 Printing and reproduction | 19,636 | 20,000 | 26,000 | +6,000 |
| 25 Other services | 103,947 | 102,500 | 121,000 | +18,500 |
| 26 Supplies and materials | 16,185 | 20,000 | 20,000 | |
| 31 Equipment | 9,020 | 5,270 | 12,000 | +6,730 |
| Total obligations | 1,814,011 | 1,965,000 | 2,006,000 | +41,000 |

ORGANIZATION, PERSONNEL, AND WORKLOADS

Mr. EVINS. We shall insert pages 1–26 through 1–31.
(The pages follow:)

ORGANIZATION, PERSONNEL, AND WORKLOADS

GENERAL STATEMENT

In this section the organization, personnel costs, including related benefits, and workloads of the Office of the Assistant Administrator for Construction are explained.

The preceding pages have discussed the nature of the construction program, its magnitude and the types of work which must be performed, with particular emphasis on those for which funds are requested in this appropriation. The following pages describe the specific responsibilities of the Office of the Assistant Administrator for Construction and the form of organization under which it functions. The employees indicated on the following sheets include all of those whose work is associated with the development of projects in all stages and with the performance of construction and staff activities.

The Veterans Administration construction program, which is based on requirements determined by the operating departments, is directed by the Assistant Administrator for Construction. He has three major areas of responsibility: (1) Design and construction of Veterans Administration hospitals, domiciliaries, and other facilities, including modernization and improvement of existing plant; (2) acquisition, utilization, and disposition of VA real property; and (3) staff responsibilities for safety of VA patients, the public and VA employees; and protection of VA property from fire.

The organization shown on the following page is one which is designed to make optimum use of VA personnel and to provide a flexibility in assignment of work which will keep planning, design, and supervision of construction costs down to the lowest reasonable levels. Architects and engineers who are specialists in particular areas of the professions render services during all phases of the planning and construction process.

FUNCTIONS OF ORGANIZATIONAL ELEMENTS

The following functions are performed by the elements of the Office of Assistant Administrator for Construction.

*General administration*

The Assistant Administrator for Construction as the Chief Engineer of the VA, provides overall direction of the construction program. His office with its

immediate staff including the legal advisory staff provides support for planning, design, and construction operations as follows:

(*a*) Management division provides office services, management analysis services, personnel liaison service and coordination on methods, procedures, and publications affecting more than one organization element.

(*b*) Program control division provides budget, allotment, fund control, accounting reports and statistical services for the construction program, projects and other activities of the Assistant Administrator for Construction.

(*c*) Safety and fire protection division provides agencywide program guidance plans and policies as well as review of construction plans and construction standards for safety and fire protection features.

(*d*) Real estate division provides for real property services, including acquisition and disposal of real property and property interest in fee, obtaining and granting of easements, and liaison with operating departments and other Government agencies for these activities.

*Design and construction operations*

The manager of operations directs the design and construction operations. These include coordination through project managers—each of the three having a geographic area—of a project from inception of requirements through preliminary planning, preparation of working drawings and specifications, and supervision of construction. In addition, a small research staff studies problems and new developments in construction materials and techniques. The three principal categories of operations follow:

(*a*) *Preliminary plans.*—Preliminary studies, preliminary plans, and estimates based on operating department requirements are prepared to assist in the development of projects for necessary review and approval by higher authority and for presentation of the budget.

Plans must be developed within specific cost and area limits to comply with executive restrictions. This work is principally handled by the preliminary planning service with lesser assistance from mechanical-electrical service, architectural-structural service, and specifications service, and other parts of the offices. (See p. 1–34 for detailed analysis of personnel requirements to accomplish workload.)

(*b*) *Working drawings and specifications.*—The architect-engineer contracting officer negotiates contracts with private architect-engineers for A/E services. Working drawings and specifications prepared by contract architect-engineers are reviewed by the architectural-structural service, the mechanical-electrical service, and the specifications service. These same services also prepare working drawings and specifications for inhouse designed projects. Estimates during this stage are prepared by the estimating division of the preliminary planning service. (See pp. 1–34 and 1–35 for a detailed analysis of personnel requirements to accomplish workload.)

(*c*) *Construction put-in-place.*—The construction contracting officer awards construction contracts based on competitive bids. The construction service is responsible for seeing that contract work is satisfactorily completed. Resident engineers of the Field Operations Division are assigned to field sites to supervise work to insure that contractors build according to plans and specifications. The Project Management Divisions at central office provide centralized contract management. This includes following progress and obtaining approval (and funds authorization if necessary) for required changes in construction contracts, if such changes exceed in dollar amount or scope, the field engineers approval authority. The Contract Administration Division processes vouchers (after approval by project managers) for partial payments, final settlements and release of amount withheld pending completion of deficiencies, and settlement of claims.

*Summary of personnel services*

| | 1964 actual | 1965 estimated | 1966 estimated | Increase (+) or decrease (−) 1966 over 1965 |
|---|---|---|---|---|
| Average employment: | | | | |
| Permanent positions | 481 | 496 | 496 | |
| Positions other than permanent | 68 | 75 | 75 | |
| Total | 549 | 571 | 571 | |
| Personnel computation: | | | | |
| Permanent positions | $4,307,818 | $4,698,670 | $4,736,180 | +$37,510 |
| Hired labor | 584,792 | 653,800 | 652,500 | −1,300 |
| Consultants | 2,050 | 6,000 | 6,000 | |
| Overtime and holiday pay | 34,468 | 35,000 | 35,000 | |
| Night differential | 192 | | | |
| Total | 4,929,320 | 5,393,470 | 5,429,680 | +36,210 |
| Personnel benefits: | | | | |
| Federal group life insurance | 14,128 | 14,435 | 14,450 | +15 |
| Federal health benefits insurance | 26,783 | 27,352 | 27,365 | +13 |
| Civil service retirement | 264,385 | 293,698 | 298,330 | +4,632 |
| Awards | 1,245 | | | |
| FICA | 24,883 | 29,175 | 29,175 | |
| Total, personnel benefits | 331,424 | 364,660 | 369,320 | +4,660 |
| Total personnel computation and benefits | 5,260,744 | 5,758,130 | 5,799,000 | +40,870 |
| Distributed as follows: | | | | |
| Construction activities | 3,647,497 | 3,996,900 | 4,031,000 | +34,100 |
| General administration | 1,613,247 | 1,761,230 | 1,768,000 | +6,770 |

*Summary of full-time equivalent employment (various breakdowns)*

| Item | Fiscal year 1964, actual | Fiscal year 1965, estimated | Fiscal year 1966, estimated | Increase (+) or decrease (−) 1966 over 1965 |
|---|---|---|---|---|
| I. BY ORGANIZATION | | | | |
| A. Departmental payroll: | | | | |
| 1. Manager of operations: | | | | |
| (a) Preliminary Planning Service | 47 | 48 | 48 | |
| (b) Architectural-Structural Service | 48 | 50 | 50 | |
| (c) Mechanical-Electrical Service | 49 | 50 | 50 | |
| (d) Specifications Service | 48 | 48 | 48 | |
| (e) Construction Service | 150 | 155 | 155 | |
| (f) Research staff | 7 | 7 | 7 | |
| (g) Architect-engineer contracting officer | 8 | 8 | 8 | |
| (h) Construction contracting officer | 2 | 2 | 2 | |
| (i) Project Directors' Offices | 23 | 23 | 23 | |
| (j) Manager's Office | 4 | 4 | 4 | |
| Subtotal | 386 | 395 | 395 | |
| 2. Other Assistant Administrator of Construction elements: | | | | |
| (a) Office of Assistant Administrator for Construction | 5 | 5 | 5 | |
| (b) Legal advisory staff | 3 | 3 | 3 | |
| (c) Management Division | 19 | 19 | 19 | |
| (d) Program Control Division | 20 | 22 | 22 | |
| (e) Safety and Fire Protection Division | 8 | 8 | 8 | |
| (f) Real Estate Division | 5 | 4 | 4 | |
| Subtotal | 60 | 61 | 61 | |
| Total, departmental payroll | 446 | 456 | 456 | |
| B. Field office payroll: | | | | |
| Clerical aids [1] | 36 | 40 | 40 | |
| Hired labor (FTE) | 67 | 75 | 75 | |
| Total, field office payroll | 103 | 115 | 115 | |
| Grand total, A and B | 549 | 571 | 571 | |
| II. BY EMPLOYMENT LOCATION | | | | |
| A. Central office | 350 | 359 | 359 | |
| B. Project sites: | | | | |
| 1. Resident engineers (construction supervision) | 96 | 97 | 97 | |
| 2. Clerical aides (construction supervision) | 36 | 40 | 40 | |
| 3. Hired labor (to construct projects) | 67 | 75 | 75 | |
| Total | 199 | 212 | 212 | |
| Grand total A and B | 549 | 571 | 571 | |
| III. BY FUNCTION | | | | |
| A. Construction: | | | | |
| 1. Working drawings and specifications | 132 | 136 | 136 | |
| 2. Construction supervision | 186 | 195 | 195 | |
| 3. Construction projects, hired labor | 67 | 75 | 75 | |
| Total | 385 | 406 | 406 | |
| Administration planning and related staff activities: | | | | |
| 1. Preliminary planning | 104 | 104 | 104 | |
| 2. Administration and staff activities (see breakdown) | 60 | 61 | 61 | |
| Total | 164 | 165 | 165 | |
| Grand total A and B | 549 | 571 | 571 | |

[1] Part of Construction Service, Field Operations Division.

## Nursing Home Projects

Mr. Thomas. Let us take a look at nursing homes.

You have a little narrative here on page 1–154, and that is all.

Mr. Driver. Yes, sir.

Mr. Thomas. "Public Law 88–450 provides for the activation of 4,000 nursing care beds within the VA system."

Then you say:

The budget estimate of $5 million is based on comparable costs for projects developed for activation of the first 1,000 beds. The exact areas and square-foot costs cannot be determined until the complete requirements for each facility have been developed.

I think Mr. Evins covered this pretty well. What was the figure you gave him this morning on bed cost?

Mr. Monk. $2,500. That is construction and equipment.

## Grants for the Construction of State Nursing Homes

*Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| 10 Grants for construction (costs—obligations) (object class 41.0) | | | 5,000 |
| Financing: | | | |
| 40 New obligational authority (appropriation) | | | 5,000 |
| Relation of obligations to expenditures: | | | |
| 71 Total obligations (affecting expenditures) | | | 5,000 |
| 74 Obligated balance, end of year | | | −4,500 |
| 90 Expenditures | | | 500 |

Mr. Evins. There is one more tab and that is "Grants for construction of State nursing homes." These grants may not exceed 50 percent of the estimated cost and there is a 10-percent limitation on the amount that can be provided for any one State.

We will insert the general statement on page 2–2.

(The page follows:)

### State Nursing Homes

#### General statement

The request of $5 million is to carry out the provisions of section 4a of Public Law 88–450, August 19, 1964 (38 U.S.C. 5031–5037) which provides for grants to assist the several States in the construction of State home facilities for furnishing nursing home care to war veterans. The term "construction" means the construction of new buildings, the expansion, remodeling, modification, or alteration of existing buildings, and the providing of initial equipment for any such buildings. This legislation authorizes to be appropriated $5 million each year for 5 successive years commencing with fiscal year 1965.

The grant may not exceed 50 percent of the estimated cost of any project, and not more than 10 percent of the funds appropriated may be provided for any State. The number of beds to be provided for this purpose in any State may not exceed one-half bed per 1,000 war veteran population.

The VA will issue the necessary regulations and procedures to implement this legislation early in February. The time required for the States to develop program plans, process requests, and secure necessary funding, indicates that no funds will be required in 1965. Therefore, the initial funding of this program is requested in 1966 rather than 1965 as authorized in the public law.

There has been considerable interest by the States in this program. The extent to which this interest results in approved grants cannot be determined at this time. We believe that the $5 million requested wil be required in fiscal year 1966. If the entire amount is not obligated in 1966, it remains available for obligation for 2 additional years.

Funds for the administration of this program will be provided under other VA appropriations.

Mr. JONAS. Mr. Chairman, may I ask a question?

Mr. EVINS. Yes, Mr. Jonas.

GAO REPORT ON PERSONNEL EMPLOYEE RATIO

Mr. JONAS. Mr. Driver, there is a limitation in this bill, which has been in it for some time, holding your personnel people to a ratio of 1 per 135 employees. Has this been discussed this year?

Mr. DRIVER. No, sir.

Mr. JONAS. GAO has criticized you for adding volunteers and counting them as employees when they are not employees. How do you justify calling people employees who are not intermittent, part-time, or regular employees in view of this limitation?

Mr. DRIVER. We, of course, have answered their draft on the basic point.

Mr. JONAS. It seems to me they have the better part of the argument. I do not see how you can call a volunteer an employee.

Mr. DRIVER. We think it is justified because they are carrying out functions we cannot eliminate.

Mr. JONAS. That is not what the laws says. The law says 135 "full-time, part-time, or intermittent employees."

Mr. DRIVER. We take the position this volunteer is, in effect, a part-time employee.

Mr. JONAS. Do you pay him anything?

Mr. DRIVER. No, sir. That is the only difference.

Mr. JONAS. Does he get any compensation?

Mr. DRIVER. No, sir.

Mr. JONAS. Anything in lieu of compensation or any allowance?

Mr. DRIVER. No, sir.

Mr. JONAS. Free meal, I guess?

Mr. DRIVER. Free meal, yes, and he performs a very essential service.

Mr. JONAS. I know he performs it but he donates his service and I do not understand how you can classify him as an employee.

Mr. DRIVER. Yes, sir.

Mr. JONAS. But you are counting them as part-time employees. Do you think that is justified?

Mr. DRIVER. Yes, sir; we do. There is some work for our personnel people in connection with them which Mr. Fable can describe.

Mr. FABLE. This was discussed with Chairman Thomas and the committee in 1958. I think the Comptroller General acknowledges this is not a legal question: it is purely a matter of policy.

Mr. JONAS. It is a matter of interpreting what the word "employee" means.

Mr. FABLE. They concede our definition is legal.

Mr. JONAS. They do not concede that. They say it may be legal but they question the justification for it. They do not argue it is illegal.

Mr. DRIVER. It is a matter of administrative judgment whether it should be done this way or not.

Mr. JONAS. I do not know why the law should not be changed then.

Mr. DRIVER. We are not paying them anything. I guess that is the difference.

Mr. JONAS. But you are adding personnel. You are counting them in the base.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. JONAS. I just wanted to bring it out and put it on the record.

Mr. THOMAS. Gentlemen, I want to congratulate Mr. Evins and our genial Administrator and the various department heads for this fine presentation. I think you have built the best record I have seen here in 10 or 15 years.

Mr. DRIVER. Thank you.

Mr. THOMAS. We have seen a lot of Administrators over the years but we have never seen anybody take over as well as you have, Mr. Driver. We offer you our good wishes and admiration on the way you have taken over. You are entitled to some credit.

Mr. DRIVER. Thank you very much.

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MONDAY, MARCH 22, 1965.

## FEDERAL TRADE COMMISSION

### WITNESSES

PAUL RAND DIXON, CHAIRMAN
PHILIP ELMAN, COMMISSIONER
A. EVERETTE MacINTYRE, COMMISSIONER
JOHN R. REILLY, COMMISSIONER
MARY GARDINER JONES, COMMISSIONER
JOHN V. BUFFINGTON, ASSISTANT TO CHAIRMAN
JOHN N. WHEELOCK, EXECUTIVE DIRECTOR
PHILIP R. LAYTON, PROGRAM REVIEW OFFICER
WILLIAM P. GLENDENING, COMPTROLLER
JOHN A. DELANEY, DIRECTOR, OFFICE OF ADMINISTRATION
JOSEPH W. SHEA, SECRETARY
JAMES McI. HENDERSON, GENERAL COUNSEL
JOSEPH E. SHEEHY, DIRECTOR, BUREAU OF RESTRAINT OF TRADE
HENRY D. STRINGER, DIRECTOR, BUREAU OF TEXTILES AND FURS
SAMUEL L. WILLIAMS, DIRECTOR, BUREAU OF FIELD OPERATIONS
WILLARD F. MUELLER, DIRECTOR, BUREAU OF ECONOMICS
CHALMERS B. YARLEY, DIRECTOR, BUREAU OF INDUSTRY GUIDANCE
JAMES A. MURRAY, ASSISTANT DIRECTOR, BUREAU OF DECEPTIVE PRACTICES

JULIAN W. SNYDER, ASSISTANT COMPTROLLER
GALE P. GOTSCHALL, ASSISTANT TO DIRECTOR, BUREAU OF DECEPTIVE PRACTIVES
FREDERICK IRISH, CHIEF, DIVISION OF SCIENTIFIC OPINIONS, BUREAU OF DECEPTIVE PRACTIVES
CHARLES A. SWEENY, CHIEF, DIVISION OF FOOD AND DRUG ADVERTISING, BUREAU OF DECEPTIVE PRACTICES
JERRY HARDY, BUDGET ANALYST

## Salaries and Expenses

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 10,252 | 11,397 | 11,542 |
| 11.3 | Positions other than permanent | 8 | 4 | 4 |
| 11.5 | Other personnel compensation | 48 | 26 | 36 |
| | Total personnel compensation | 10,308 | 11,427 | 11,582 |
| 12.0 | Personnel benefits | 756 | 845 | 858 |
| 21.0 | Travel and transportation of persons | 426 | 486 | 486 |
| 22.0 | Transportation of things | 7 | 8 | 8 |
| 23.0 | Rent, communications, and utilities | 261 | 272 | 246 |
| 24.0 | Printing and reproduction | 127 | 110 | 110 |
| 25.1 | Other services | 88 | 128 | 128 |
| 25.2 | Services of other agencies | 21 | 18 | 23 |
| 26.0 | Supplies and materials | 138 | 150 | 160 |
| 31.0 | Equipment | 72 | 15 | 175 |
| | Total costs, funded | 12,214 | 13,459 | 13,776 |
| 94.0 | Change in selected resources | −7 | | |
| 99.0 | Total obligations | 12,207 | 13,459 | 13,776 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 1,178 | 1,175 | 1,193 |
| Full-time equivalent of other positions | 1 | 0 | 0 |
| Average number of employees | 1,155 | 1,162 | 1,177 |
| Average GS grade | 9.2 | 9.3 | 9.2 |
| Average GS salary | $9,168 | $9,811 | $9,767 |
| Average salary of ungraded positions | $5,752 | $5,794 | $5,902 |

*Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| 1. Antimonopoly: | | | |
| (a) Investigation and litigation | 5,542 | 6,512 | 6,694 |
| (b) Economic and financial reports | 723 | 672 | 722 |
| (c) Trade practice conferences industry guides and small business | 149 | 190 | 192 |
| (d) Compliance investigations for Attorney General | 542 | 75 | |
| 2. Deceptive practices: | | | |
| (a) Investigation and litigation | 3,025 | 3,489 | 3,554 |
| (b) Trade practice conferences industry guides and small business | 300 | 377 | 434 |
| (c) Textile and fur enforcement | 1,080 | 1,202 | 1,217 |
| 3. Executive direction and management | 264 | 276 | 297 |
| 4. Administration | 651 | 666 | 666 |
| Total program costs [1] | 12,276 | 13,459 | 13,776 |
| Unfunded adjustments to total operating costs: | | | |
| Property transferred in without charge | −8 | | |
| Loss on disposition of fixed assets | −54 | | |
| Total program costs funded | 12,214 | 13,459 | 13,776 |
| Change in selected resources [2] | −7 | | |
| 10 Total obligations | 12,207 | 13,459 | 13,776 |
| Financing: | | | |
| 25 Unobligated balance lapsing | 8 | | |
| New obligational authority | 12,215 | 13,459 | 13,776 |
| New obligational authority: | | | |
| 40 Appropriation | 12,215 | 12,875 | 13,776 |
| 41 Transferred to "Operating expenses, Public Buildings Service," General Services Administration (78 Stat. 655) | | −16 | |
| 43 Appropriation (adjusted) | 12,215 | 12,859 | 13,776 |
| 44 Proposed supplemental due to civilian pay increase | | 600 | |
| Relation of obligations to expenditures: | | | |
| 71 Total obligations (affecting expenditures) | 12,207 | 13,459 | 13,776 |
| 72 Obligated balance, start of year | 957 | 1,019 | 1,778 |
| 74 Obligated balance, end of year | −1,019 | −1,778 | −2,154 |
| 77 Adjustments in expired accounts | −28 | | |
| 90 Expenditures excluding pay increase supplementals | 12,118 | 12,120 | 13,380 |
| 91 Expenditures from pay increase supplementals | | 580 | 20 |

[1] Includes capital outlay as follows: 1964, $72,000; 1965, $15,000; 1966, $175,000.
[2] Selected resources as of June 30 are as follows:

| | 1963 | 1964 | 1965 | 1966 |
|---|---|---|---|---|
| Stores | 7 | 9 | 9 | 9 |
| Unpaid undelivered orders | 39 | 30 | 30 | 30 |
| Total selected resources | 46 | 39 | 39 | 39 |

Mr. THOMAS. We have the great privilege and pleasure of having our old friends from the Federal Trade Commission with us this morning. It is nice to have the very able and distinguished Chairman, Mr. Dixon, with us; Mr. Elman, Commissioner; Mr. MacIntyre, Commissioner; Mr. Reilly, Commissioner; and the great honor and privilege of having Commissioner Jones. We are delighted and honored to have you.

You know, we confirm all of our new Commission members in here. To make it final we usually confirm them once a month ahead of the other body.

In that regard I want to commend the Chairman. He was on the other side so long he finally began to read our hearings. When he did, he picked up the drug investigation—except it was 3 years late. Now I see he is going back to reading the old ones and he has set up a new agency, agencywide compliance. Eight years late, but better late than never.

BIOGRAPHY OF COMMISSIONER JONES

Commissioner, tell us something about yourself.

Miss JONES. I have been here 3 months, sir.

Mr. THOMAS. How do you like it?

Miss JONES. Very much. I am now beginning to realize how little I know about it all. I am becoming quieter and quieter the longer I stay here.

Mr. THOMAS. What is your home State?

Miss JONES. New York State, sir. I had been with the Department of Justice in antitrust and private practice in antitrust. I have been on either side of the street an equal number of years.

Mr. THOMAS. You are a lawyer?

Miss JONES. Yes, sir.

Mr. THOMAS. We are delighted to have you.

Miss JONES. It is nice to be here, sir.

Mr. THOMAS. Our guess is that you will render an outstanding service.

Miss JONES. That would be my hope.

Mr. THOMAS. We have Mr. Buffington, assistant to the Chairman; Brother Wheelock, one of the old standbys, the Executive Director. We have Mr. Layton, program review officer. I have never seen so many divisions. Mr. Layton has two or three divisions there, and each one keeps its foot in the other fellow's office. We sometimes call it overlapping.

We have Mr. Glendening, the Comptroller. We are glad to have you.

We have Mr. Delaney, Director of the Office of Administration; Mr. Shea, the Secretary. He has been running the place for years, hasn't he?

We have Mr. Henderson, the General Counsel. We have Mr. Sheehy, Director, Bureau of Restraint of Trade; Mr. Stringer, Director, Bureau of Textiles and Furs; Mr. Williams, Director, Bureau of Field Operations; Mr. Mueller, Director, Bureau of Economics; Mr. Chalmers Yarley, Director, Bureau of Industry Guidance. That is a good move forward.

What became of the old General Compliance Bureau? Last time we heard about it one of the doctors was trying to absorb it in the Bureau of Economics. Was it finally absorbed?

Mr. DIXON. We put it where it belongs. The Compliance now is in a Division of Restraint of Trade, a Division of Deceptive Practices, and a Division of Textiles and Furs.

Mr. THOMAS. We have Mr. Murray, Assistant Director, Bureau of Deceptive Practices.

Did you have five M.D.'s or five scientists? The figure five sticks in my mind. How many do you have?

Mr. DIXON. I believe we have five medical doctors. We have Dr. Fred Irish, who is a Ph. D. in chemistry.

Mr. THOMAS. You ought to work him overtime.

Mr. DIXON. We do, sir.

Mr. THOMAS. Is this on public health?

Mr. DIXON. We are working at that right now, trying our best to get a better working relationship, especially in clinical testing in NIH with Dr. Terry.

Mr. THOMAS. Dr. Terry will work with you.

Mr. DIXON. If he can perform these clinical tests we have to perform to prove some of these things, I am for him. We have to go somewhere. We have to get money to buy it and then we find a hard time getting somebody to perform this operation.

Mr. THOMAS. He is inclined to be cooperative, and he is very capable.

We have Mr. Snyder, Assistant Comptroller; Mr. Gotschall, Assistant to the Director, Bureau of Deceptive Practices; Mr. Irish, Chief, Division of Scientific Opinions, Bureau of Deceptive Practices; Mr. Sweeny, Chief, Division of Food and Drug Advertising, Bureau of Deceptive Practices. Finally we have Miss Jerry Hardy, the Budget Analyst.

Welcome aboard. We are delighted to have all of you.

Do you have a statement for us, Mr. Chairman?

FIFTIETH ANNIVERSARY OF FEDERAL TRADE COMMISSION

Mr. EVINS. Mr. Chairman, may I say that this month the Federal Trade Commission is celebrating its 50th anniversary. This agency has been around a good while. They are having a celebration this week.

Mr. THOMAS. I understand they had a nice celebration the other night, too.

Mr. EVINS. I want to put in the record with your permission the FTC's press release and a statement of my own regarding the 50th anniversary.

Mr. THOMAS. That is fine. Be sure to put it in.

(The information referred to follows:)

[News release from Federal Trade Commission, Office of Information, Mar. 14, 1965]

FEDERAL TRADE COMMISSION CELEBRATES ITS 50TH ANNIVERSARY ON MARCH 16, 1965

Praised, condemned, starved and fed, denounced and defended, deserted and reinforced, overruled and upheld, the Federal Trade Commission has achieved 50 years of growth. It has confounded many of its critics, dimmed the starry hopes of zealous do-gooders, yet discouraged those who would corner the marketplace or fleece the people. It has failed to be the panacea its advocates had envisioned, but it has not been the pushover that profit hungry sophisticates had planned to circumvent. The FTC already has proved an indispensable safeguard for this Nation's system of free competitive enterprises in business and fair treatment for the purchasing public. While the FTC has lacked perfection, it has been tremendously useful.

The future will prove it even more so. The growth of this country's economy makes it impossible for an agency the size of the Federal Trade Commission to be an omnipresent policeman. It was never intended to be. But it serves its basic purposes to provide businessmen with explicit guidance on how to comply with the law and how to avoid deception of consumers. Moreover, the forceful actions it has taken have transformed what might have been mere pieties into meaning-

ful and respected counsel. The result is the Commission has attained the stature necessary for its admonitions to be heeded; hence, the future could well find less emphasis on delineating boundaries of legality and more emphasis on helping reputable businessmen cope with the competition-engendered illegalities that beset them. With 50 years of hard-won experience under its belt, the Commission can be of greater use to those who believe in fair competition and honest dealing.

That the Commission's potential promise, even more than already has been achieved, does not mean that past performance has been merely prologue. Past achievements have been monumental.

Its reports to the Congress contained sufficiently informative economic data and intelligence to support such legislation as the Export Trade Act, the Packers and Stockyards Act, the Radio Act, the Securities and Exchange Act, the Federal Communications Act, the Public Utilities Holding Company Act, the Robinson-Patman Amendment to the Clayton Act, the Federal Power Act, and the National Gas Act. It has conducted more than 100 general investigations shedding light on the Nation's economic problems. With the broadest investigative powers of any Federal agency, the Commission has illuminated with fact many of the dark corners of our economy, and is continuing to do so.

It has taken on both the giants and would be giants of industry in enforcing laws prohibiting restraints of trade. Pitting a handful of dedicated Government lawyers against batteries of the best attorneys in private practice, the Commission has won victories that have clarified what the law prohibits. And such battles have dissuaded others from attempting similar acts and practices. Thus has the precipice of the law been illuminated, and the light continues to probe as new practices which injure competition are used.

The same holds for deception of consumers. The Commission's efforts to halt misrepresentation have certainly fallen short of complete protection for the credulous. And deception is with us still, as it probably always will be. But the Commission's alertness aided by ever more circumspect advertising media is making it tough for those who would mislead the public. Moreover, the Commission is planning to work much closer with State authorities to prevent deception of consumers behind the barriers of State lines.

It is impossible to calculate with any precision how much good the FTC has accomplished in 50 years of halting questionable advertising and merchandising, particularly with the greater authority to attack it conveyed in 1938 by the Wheeler-Lea amendments. But it is illuminating and heartening to contrast the advertising appearing 50 years ago with that printed and broadcast today. Not only have consumers been saved millions of dollars, but reputable sellers have found that today's advertising buys a great deal more trust. The FTC has not fought alone in this accomplishment, but it has been able to strike with the force of the law when private efforts failed.

The battle can be counted too in human terms—products incapable of doing what was claimed for them; discriminations which injured small businessmen; make-money-at-home schemes that bilked the aged and the needy; and mislabeled fabrics and furs whose quality left their buyers with bitter disappointment. The list could go on, with other types of unfairness but certainly it can be pointed out that here particularly the FTC has fought shoulder to shoulder with the angels.

With 50 years of experience and service behind it, the Federal Trade Commission stands ready to tackle a far vaster volume of work engendered by the Nation's ever-growing economy. Old guideposts must be maintained and, if necessary, modified to meet tomorrow's needs. And new guideposts will be added as required. Particularly will greater efforts be made to encourage businessmen to comply with the law voluntarily as a faster and more equitable method of maintaining honest competition.

The first 50 years testify to the validity of the Commission's purpose.

STATEMENT BY CHAIRMAN PAUL RAND DIXON ON 50TH ANNIVERSARY OF THE FEDERAL TRADE COMMISSION

"The history of the laws administered by the Federal Trade Commission reflects one of the law's most ancient paradoxes—that there can be no liberty without laws that themselves restrain liberty.

"There is no single body of law that can rightfully claim a larger share of credit for this unprecedented liberty and prosperity than the antitrust laws of the United States. Nor can there be any real doubt that the Federal Trade Commission, in its efforts, has been one of the strongest, most persistent forces

in keeping alive, during even those periods of darkest, national exigencies, this tradition of competition and thus opportunity in our economic life. Whatever its imperfections—and there are many, as its constant efforts at improvement demonstrate—the Federal Trade Commission, in this year 1965, has clearly come a long way toward realizing some of the highest hopes of those that founded it half a century ago."

DATES SURROUNDING THE ACTIVITIES OF THE FTC

Federal Trade Commission Act passed by Congress on September 26, 1914.

FTC officially organized on March 16, 1915, when President Woodrow Wilson appointed five Commissioners.

Congress approved construction of the FTC building on March 4, 1931.

Building dedicated by President Franklin Delano Roosevelt on July 12, 1937.

FTC occupied its building on April 21, 1938.

First permanent Chairman of the Commission appointed by President Harry S. Truman on May 24, 1950.

ORGANIZATION OF THE FEDERAL TRADE COMMISSION

The Federal Trade Commission is composed of five members. Each member is appointed by the President of the United States, by and with the advice and consent of the U.S. Senate, for a term of 7 years. Not more than three of the Commissioners may be members of the same political party. One Commissioner is designated by the President as Chairman of the Commission, and he is responsible for its administrative management.

The original five Commissioners of the FTC appointed by President Woodrow Wilson on March 16, 1915, were: Joseph E. Davies (Democrat, Wis.) who served as the first Chairman; Edward N. Hurley (Democrat, Ill.), William J. Harris (Democrat, Ga.), Will H. Parry (Republican, Wash.), and George Rublee (Progressive Republican, N.H.).

The present Commissioners are: Paul Rand Dixon (Democrat, Tenn.) who is Chairman; Philip Elman (Independent, Md.), A. Everette MacIntyre (Democrat, N.C.), John R. Reilly (Democrat, Iowa), and Mary Gardiner Jones (Republican, N.Y.).

ACTIVITIES OF THE FEDERAL TRADE COMMISSION

Facts leading to the creation of the FTC are helpful to an understanding of its purpose. The agency's inception traces to the difficulties the Nation was having in curbing monopolies at the turn of the century. The Sherman Antitrust Act had been enacted in 1890 as a major deterrent to the abuse of economic power by corporations and trusts. The act declared to be illegal every contract, combination, or conspiracy in restraint of trade or commerce among the States. It also condemned attempts to monopolize any part of this trade, and provided that victims of such illegality could bring civil suits to recover triple the amount of damage they had suffered.

Useful though the Sherman Act proved, it soon became evident that additional legislation was needed if industrial concentrations that restrained trade were to be attacked soon enough. It was reasoned that most monopolistic empires had been built with ruthless disregard for fairness to competitors and that many discriminatory practices had been used to drive them out of business.

What was needed, Congress decided, was supplementary legislation to prevent the unfair methods of competition by which monopolistic power too often was acquired. Forbidding predators their principal weapons certainly would reduce the number of violators coming within range of the Sherman Act.

The result was that in 1914 Congress enacted two laws: The Federal Trade Commission Act created an agency to proceed in the public interest against unfair methods of competition in commerce. The Clayton Act prohibited certain discriminatory and acquisitive practices where the effect could be shown to suppress competition.

The Commission was given responsibility for enforcing four sections of the Clayton Act, including the prohibitions against price and related discriminations in section 2, as amended in 1936 and thereafter better known as the Robinson-Patman Act, and section 7, as strengthened in 1950 by the Celler-Kefauver amendments to prevent corporate acquisitions and mergers which tend to create monopoly. Later, in 1938, the FTC Act was expanded to proscribe "unfair or deceptive acts or practices in commerce."

The Commission was given other enforcement responsibilities, principally to require the proper labeling of wool, fur, and textile fiber products.

### FERGUSON SERVED LONGEST TERM AS CHAIRMAN; DIXON HAS SERVED LONGEST CONTINUOUS TERM

In the 50 years the Federal Trade Commission has existed it has had 41 chairmen—but only 25 men have served in that capacity. Until 1950 the members rotated the chairmanship and some of them served as chairman more than one time. But on May 24, 1950, the President of the United States was given the power to appoint the chairman. Commissioner James Mead of New York was the first such appointed chairman by President Harry S. Truman.

Commissioner Garland S. Ferguson served the greatest number of times as chairman, 5, and the greatest number of years, 5. However, Commissioner Dixon on March 21, 1965, will have served 4 years as chairman—the longest continuous term at this writing. The chairmanship was vacant three times in its history: December 1929, January 1932, and June 1 through 10, 1959.

Of the 23 States that have had representation on the Commission, 17 produced the 41 chairmen. During the existence of the FTC, a Republican has served as chairman about 24 years, and a Democrat about 26 years. Twenty-one Republicans and twenty Democrats have been chairmen.

### FEDERAL TRADE COMMISSION AUTHORITY

The authority and powers of the Federal Trade Commission are drawn, in the main, from the following statutes:

1. Federal Trade Commission Act, approved September 26, 1914: Unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are hereby declared unlawful.
2. Clayton Act, sections 2, 3, 7, 8, and 11, approved October 15, 1914: An act to protect trade and commerce against unlawful restraints and monopolies, and for other purposes.
3. Webb-Pomerene Export Trade Act, approved April 10, 1918: An act to promote export trade.
4. Wool Products Labeling Act of 1939, approved October 14, 1940: An act to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products and for other purposes.
5. Lanham Trade-Mark Act, approved July 5, 1946: An act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes.
6. Fur Products Labeling Act, approved August 8, 1951: An act to protect consumers and others against misbranding, false advertising, and false invoicing of fur products and furs.
7. Flammable Fabrics Act, approved June 30, 1953: An act to prohibit the introduction or movement in interstate commerce of articles of wearing apparel and fabrics which are so highly flammable as to be dangerous when worn by individuals, and for other purposes.
8. Textile Fiber Products Identification Act, approved September 2, 1958: An act to protect producers and consumers against misbranding and false advertising of the fiber content of textile fiber products, and for other purposes.

### BRIEF BIOGRAPHIES OF THE PRESENT FIVE COMMISSIONERS

*Paul Rand Dixon, Chairman*

Born on September 29, 1913, in Nashville, Tenn. He received his A.B. degree from Vanderbilt University, and his LL. B. degree from the University of Florida. Joined the FTC in 1938 as trial attorney in antimonopoly and antideceptive practices. In 1957 he resigned to become counsel and staff director of the U.S. Senate Antitrust and Monopoly Subcommittee. Appointed Commissioner and Chairman of the FTC in 1961. Democrat.

*Philip Elman, Commissioner*

Born on March 14, 1918, in Paterson, N.J. He received his A.B. degree from the College of the City of New York, and his LL. B. degree from Harvard University. He was editor of the Harvard Law Review in 1939. Also he has served as law clerk to the late Mr. Justice Felix Frankfurter of the U.S. Supreme Court,

attorney for FCC, Assistant to the Solicitor General, and legal adviser to the Office of Military Government in Berlin, Germany. Appointed to the FTC as a Commissioner in 1961. Independent.

*A. Everette MacIntyre, Commissioner*

Born on February 3, 1901, in Alamance County, N.C. He received his A.B. degree from the University of North Carolina, and his LL. B. degree from George Washington Law School. He joined the FTC legal staff in 1930. When he was Chief of the Division of Antitrust Trials in 1955, he resigned to become general counsel and staff director of the U.S. House Select Committee on Small Business. He was appointed a Commissioner to the FTC in 1961. Democrat.

*John R. Reilly, Commissioner*

Born on June 4, 1928, in Dubuque, Iowa. Attended Loras College in Iowa, and received his J. D. degree from the College of the State University of Iowa. Also he has served as trial attorney with the Antitrust Division of the Department of Justice, and midwestern representative of the Council of State Governments, as well as counsel to the National Association of Attorneys General and Conference of Chief Justices. He was head of the Executive Office of U.S. Attorneys when he was appointed Commissioner to the FTC in 1964. Democrat.

*Mary Gardiner Jones, Commissioner*

Born on December 10, 1920, in New York City, N.Y. Received her A.B. degree at Wellesley College, and her LL. B. degree from Yale Law School. Also she has served as history teacher at George School, Newton, Pa.; research analyst in the Office of Strategic Services in charge of the Swiss desk; trial attorney in the Antitrust Division of the Department of Justice. From 1948 to 1953 and from 1961 to 1964, when she was appointed to the FTC as a Commissioner, she practiced law in New York with leading law firms. Republican.

COMMISSIONERS OF THE FEDERAL TRADE COMMISSION (IN ORDER OF SERVICE)

Joseph E. Davies (Democrat, Wisconsin), March 1915 to March 1918.
Edward N. Hurley (Democrat, Illinois), March 1915 to January 1917.
William J. Harris (Democrat, Georgia), March 1915 to May 1918.
Will H. Parry (Republican, Washington), March 1915 to April 1917.
George Rublee (Progressive Republican, New Hampshire), March 1915 to May 1916.
William B. Colver (Republican, Minnesota), March 1917 to September 1920.
John Franklin Fort (Progressive Republican, New Jersey), March 1917 to November 1919.
Victor Murdock (Republican, Kansas), September 1917 to January 1924.
Huston Thompson (Democrat, Colorado), January 1919 to September 1926.
Nelson B. Gaskill (Republican, New Jersey), February 1920 to February 1925.
John Garland Pollard (Democrat, Virginia), March 1920 to September 1921.
John F. Nugent (Democrat, Idaho), January 1921 to September 1927.
Vernon W. Van Fleet (Republican, Indiana), June 1922 to July 1926.
Charles W. Hunt (Republican, Iowa), June 1924 to September 1932.
William E. Humphrey (Republican, Washington), February 1925 to October 1933.
Abram F. Myers (Republican, Iowa), August 1926 to January 1929.
Edgar A. McCulloch (Democrat, Arkansas), February 1927 to January 1933.
Garland S. Ferguson (Democrat, North Carolina), November 1927 to November 1949.
Charles H. March (Republican, Minnesota), February 1929 to August 1945.
Ewin L. Davis (Democrat, Tennessee), May 1933 to October 1949.
Raymond B. Stevens (Democrat, New Hampshire), June 1933 to September 1933.
James M. Landis (Democrat, Massachusetts), October 1933 to June 1934.
George C. Mathews (Republican, Wisconsin), October 1933 to June 1934.
William A. Ayres (Democrat, Kansas), August 1934 to February 1952.
Robert E. Freer (Republican, Ohio), August 1935 to December 1948.
Lowell B. Mason (Republican, Illinois), October 1945 to October 1956.
John Carson (Independent, Michigan), September 1949 to March 1953.
James M. Mead (Democrat, New York), November 1949 to September 1955.
Stephen J. Spingarn (Democrat, New York), October 1950 to September 1953.
Albert A. Carretta (Democrat, Virginia), June 1952 to September 1954.
Edward F. Howrey (Republican, Virginia), April 1953 to September 1955.
John W. Gwynne (Republican, Iowa), September 1953 to May 1959.

Robert T. Secrest (Democrat, Ohio), September 1954 to September 1961.
Sigurd Anderson (Republican, South Dakota), September 1955 to February 1964.
William C. Kern (Democrat, Indiana), September 1955 to October 1962.
Edward T. Tait (Republican, Pennsylvania), November 1956 to October 1960.
Earl W. Kintner (Republican, Indiana), June 1959 to March 1961.
Edward K. Mills, Jr. (Republican, New Jersey), November 1960 to March 1961.
Paul Rand Dixon (Democrat, Tennessee), March 1961 to present.
Philip Elman (Independent, Maryland), April 1961 to present.
A. Everette MacIntyre (Democrat, North Carolina), September 1961 to present.
A. Leon Higginbotham (Democrat, Pennsylvania), October 1962 to January 1964.
John R. Reilly (Democrat, Iowa), January 1964 to present.
Mary Gardiner Jones (Republican, New York), October 1964 to present.

CHAIRMEN OF THE FEDERAL TRADE COMMISSION

1. Davies (Democrat), March 16, 1915, to June 30, 1916.
2. Hurley (Democrat), July 1, 1916, to January 31, 1917.
3. Harris (Democrat), February 1, 1917, to May 6, 1918.
4. Colver (Republican), May 7, 1918, to June 30, 1919.
5. Fort (Progressive Republican), July 1, 1919, to November 30, 1919.
6. Murdock (Republican), December 1, 1919, to November 30, 1920.
7. Thompson (Democrat), December 1, 1920, to November 30, 1921.
8. Gaskill (Republican), December 1, 1921, to November 30, 1922.
9. Murdock (Republican), December 1, 1922, to November 30, 1923.
10. Thompson (Democrat), December 1, 1923, to November 30, 1924.
11. Van Fleet (Republican), December 1, 1924, to November 30, 1925.
12. Nugent (Democrat), December 1, 1925, to November 30, 1926.
13. Hunt (Republican), December 1, 1926, to November 30, 1927.
14. Humphrey (Republican), December 1, 1927, to November 30, 1928.
15. Myers (Republican), December 1, 1928, to January 15, 1929.
16. McCulloch (Democrat), January 14, 1929, to November 30, 1929.
17. Ferguson (Democrat), January 1, 1930, to December 31, 1930.
18. Hunt (Republican), January 1, 1931, to December 31, 1931.
19. Humphrey (Republican), February 1, 1932, to December 31, 1932.
20. March (Republican), January 1, 1933, to December 31, 1933.
21. Ferguson (Democrat), January 1, 1934, to December 31, 1934.
22. Davis (Democrat), January 1, 1935, to December 31, 1935.
23. March (Republican), January 1, 1936, to December 31, 1936.
24. Ayres (Democrat), January 1, 1937, to December 31, 1937.
25. Ferguson (Democrat), January 1, 1938, to December 31, 1938.
26. Freer (Republican), January 1, 1939, to December 31, 1939.
27. Davis (Democrat), January 1, 1940, to December 31, 1940.
28. March (Republican), January 1, 1941, to December 31, 1941.
29. Ayres (Democrat), January 1, 1942, to December 31, 1942.
30. Ferguson (Democrat), January 1, 1943, to December 31, 1943.
31. Freer (Republican), January 1, 1944, to December 31, 1944.
32. Davis (Democrat), January 1, 1945, to December 31, 1945.
33. Ayres (Democrat), January 1, 1946, to December 31, 1946.
34. Ferguson (Democrat), January 1, 1947, to December 31, 1947.
35. Freer (Republican), January 1, 1948, to December 31, 1948.
36. Mason (Republican), January 1, 1949, to May 23, 1950.
37. Mead (Democrat), May 24, 1950, to March 31, 1953.
38. Howrey (Republican), April 1, 1953, to September 12, 1955.
39. Gwynne (Republican), September 12, 1955, to May 31, 1959.
40. Kintner (Republican), June 11, 1959, to March 20, 1961.
41. Dixon (Democrat), March 21, 1961, to present.

HISTORY OF THE FTC BUILDING

The construction of the building was approved by Congress on March 4, 1931. It has a basement, seven stories, and an attic.

Built with granite base, limestone superstructure, and title roof, it occupies 313 feet on Pennsylvania Avenue, 195 feet on Sixth Street, 280 feet on Constitution Avenue, and 225 feet on Seventh Street. The building has a total of 175,000 square feet of space, and was erected at a cost of $3,277,000.

It is called the apex building because it occupies the corner plot made by the angle of Pennsylvania and Constitution Avenues meeting.

The building was dedicated at ceremonies held on Monday, July 12, 1937, at 5 p.m. President Franklin Delano Roosevelt laid the cornerstone of the building on that date using the same trowel that President George Washington used when he laid the cornerstone of the U.S. Capitol on September 18, 1793. The trowel was loaned through the courtesy of the Alexandria-Washington Lodge No. 22, F.A. & A.M., Virginia.

FTC STATUES

Two statutes are located on each side of the Federal Trade Commission building where Pennsylvania and Constitution Avenues form an apex at Sixth Street.

The statues are 17 feet long, 15 feet high, and 7½ feet wide. They represent a man restraining an unruly horse.

The symbol of the statues in the words of the artist are: "The theory behind the design is that man controls trade. Trade is an enormous thing—like the horses in the design. But man, by his intelligence, controls the horse as he controls trade."

Michael Lantz, 29-year-old WPA instructor in New Rochelle, N.Y., on January 20, 1938, won the $45,600 competition in which 247 artists participated and 494 models were submitted. The prize included the cost of the design, models, stone, sculpturing, and installing of the statues.

Michael Lantz started his career in the movie cartoon field with his brother Oscar, who was the creator of "Oswald the Rabbit." Michael did not find this career of sufficient challenge and resigned to study sculptoring.

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REMARKS OF CONGRESSMAN EVINS

FEDERAL TRADE COMMISSION CELEBRATES ITS 50TH ANNIVERSARY

Mr. EVINS of Tennessee. Mr. Speaker, the 50th anniversary of the Federal Trade Commission is being celebrated this week. The FTC was organized on March 16, 1915, following the appointment of the Chairman and the first members of this important Commission by President Woodrow Wilson. The initial act creating the Commission was passed by Congress on September 16, 1914. The broad language of the original FTC Act gave the Commission responsibility for deciding what methods, acts, or practices are unfair as each might develop or change in a growing economy. The basic objectives of the Commission is the maintenance of free competitive enterprise as the keystone of the American economic system. The foundation of policy underlying the Commission's responsibilities to prevent the free enterprise system from being stifled or fettered by monopoly or corrupted by unfair or deceptive practices.

Over the years the Commission has established a record of promoting fair competition and preserving our free enterprise system—a record to which the American people can justly point with pride.

On the 50th anniversary of the Commission, I wish to congratulate this great Agency of our Government. The excellent record it has achieved in the past should be but a prelude to greater accomplishments in the future.

In this connection, Mr. Speaker, I ask unanimous consent to have included in the body of the record excerpts from a news release of the Federal Trade Commission concerning its half century anniversary. Portions of this news release follow:

GENERAL STATEMENT

Mr. THOMAS. Do you have a statement, Mr. Chairman?

Mr. DIXON. I have one, sir, for the Commission.

This year, Mr. Chairman, our budget request reflects a long overdue shift of emphasis in the Commission's approach to its mission of obtaining compliance with the trade laws.

It would support an effort, unprecedented in degree, to guide and encourage businessmen to comply with these laws voluntarily. It makes the realistic assumption that if compliance is to be achieved with the least delay in cost, only the support of a business community aware of the laws' requirements can accomplish it. It also recognizes that the Nation's economy cannot afford business——

COOPERATIVE PROGRAMS

Mr. THOMAS. There is nothing new in that idea. You have been flirting with it for certainly 8 or 9 years. What makes you think it will work now, at this late date?

Mr. DIXON. Sir, it is working.

The other day I had occasion, during our anniversary, to address the so-called symposium and briefing conference sponsored by the Federal bar. I gave some figures there which would reflect how the change is beginning to work. We talked about this since the day I came to this Commission, you are correct.

Mr. THOMAS. Three or four years before you came.

Mr. DIXON. Maybe they talked about it but we did something about it.

Mr. THOMAS. You had a little unit set up there.

Mr. DIXON. We had a unit, sir.

Mr. THOMAS. How many people? I think it was 25 or 30 people.

Mr. EVINS. That is right.

Mr. DIXON. I don't know what we called it before.

Mr. EVINS. Bureau of Trade Practice Conferences.

Mr. DIXON. It had a broader name that that. We have trade practice conferences and we have general trade rules and we have a Division of Advisory Opinions as well, and we issue trade guides. It was Bureau of Trade Practice Conferences and Industry Guides.

Mr. THOMAS. It seems you are on the right track. I hope you make it work. It seems to me that is a far more effective way. You are bound to run into some obstreperous gentlemen, but that is par for the course.

Generally, voluntary compliance is fine. What is good for the majority should be good for all.

BROADER INDUSTRYWIDE APPROACH

Mr. DIXON. Mr. Chairman, we told you the basic decision and policy of the Commission. We could not escape the congressional mandate and responsibility to proceed against unfair methods of competition or unfair and deceptive practices, price discrimination, exclusive dealing, mergers, and what have you.

Now we have put all the bureaus into a basic approach. This basic approach is that to the best of our ability we are going to render to the American businessman help, aid, advice, and assistance, clarification if we can, where it is at all practical.

We are doing this in several ways. It is to the individual if he comes in and asks an advisory opinion. We will, where practical, render it to him, and we shall be bound by it as well as he, and not proceed against him until we give him a chance to change his ways if the law and facts warrant.

On a broader scale, we have given a mandate to our enforcement bureaus. Instead of taking these cases as they come, one by one, the first thing they are to determine is whether or not this is an isolated situation that has come to our attention or whether it is something that is engaged in competitively by all the competitors.

If so, to step back, and then with our resources engage in what I would hope to be some basic planning and determine which would be the best tool and approach for us to take.

It might very well be, sir, that no more would be warranted in the public interest than a basic preliminary investigation and a basic statement by the Federal Trade Commission to this industry.

### TRADE PRACTICE CONFERENCES AND GUIDES

We could go beyond that and have investigations and study with parts of this industry and issue a guide to our staff, but disseminated to the industry on a broad basis.

This would inform the industry that henceforth prospectively they could expect individually, if they strayed from this guide, we would sue them individually as they came to our attention.

But where we have an industry that comes to us after perhaps litigation and perhaps statements and other things, and they feel it would be advantageous to them as an industry, it would be more impressive to its members if we would engage with them in the promulgation of trade practice rule, we then engage in such proceeding and look forward to the ultimate promulgation of such rules.

This is nothing new. You know of this.

We have tried to make these rules, though, more meaningful and escape the jargon of repetition of the statute, give examples so they can interpret better.

### TRADE REGULATION RULES

If they feel, after some lawsuits, that a practice is still existent in an industry, or we feel that when we are faced with such a practice it would be saving of time in the long run to engage in what we would call a general trade rule proceeding, we would go formally to the Federal Register and give such notice. We may do it in two bites—one preliminary, but ultimately the promulgation of such a proposed rule, giving everyone it would affect a chance to appear and testify and be heard.

Afterward we would promulgate such a rule if we thought the record warranted it.

Upon such promulgation we would expect the industry to abide by it, just as where we would give advice, just as where we would issue guides or trade regulation rules, and we would expect to follow now and check and see if individuals are living up to that.

Here we would follow very carefully the trade regulation rule and proceeding, and if they were not living up to it we would issue the complaint, hoping that the long delayed, drawnout, protracted litigation would be shortened materially because we would take notice of the record upon which that rule was promulgated and let the party we are proceeding against show cause why we should not issue a cease and desist order.

This has caused some readjustments in the Commission, as you could well expect, Mr. Chairman. Historically, for 40-plus years, the Commission was wedded to the procedure of taking our customers, or their cases, as they came. The Commission had hoped, and I was there and

I was part of it, that with the tools that Congress had afforded the Commission to work with, that even on the case-by-case method that proceeding against one, the others if it affected them, would take notice and follow suit.

It just didn't quite work out that way. No one is put in jail by the Federal Trade Commission. No one is fined by the Federal Trade Commission. The power Congress gave to this agency was the power of injunction.

It could be said that many people would wait for their turn, and then it could be said in all fairness to these people that if there were 50 engaged in the same practice, what certainty would a party have that if they stopped the other 49 would stop.

In our country very rarely can a man be his brother's keeper. I think this is the basis of law.

We are trying to enforce our law in the American way, equitably and fairly. It gives us more of a challenge. It means that through this Bureau of Industry Guidance, rather than trying to duplicate another Commission we are calling up the expertise in all of our enforcement bureaus constantly.

More and more, through your insistence and through the insistence of the Budget Bureau, and others, this Government downtown certainly is becoming more and more interested in better management. We are trying every day to improve our management procedures so that in the beginning, when we commit, we are committing more in the public interest. That is one way to say it.

This means we are having to pull together more and more of the top echelon of our people. We are not trying to take them away where they are doing a lot of talking and not much work. You cannot get into this.

### EFFECT ON LITIGATION CASE LOAD

To make a long story short, as I said the other day, I can give you very quickly some indication of the way things are changing. I said the other day that the immediate result of all of this is fewer formal complaints and cease and desist orders to show for our efforts.

Some of our legal fraternity are a little disturbed about this. We are not suing enough people to suit them, I guess, but this is more than accounted for by the increased number of matters handled by the assurance of discontinuance method.

I do not think I pointed out that we have gone far forward in directing the staff that we are willing now to get results by accepting assurances of discontinuance.

For example, we have 475 cease and desist orders in fiscal 1963 and 239 assurances of discontinuance. The total is 714 violations or probable violations corrected.

In fiscal 1964, the number of cease and desist orders was down to 415, but the assurances of discontinuance were up to 416. It is going the other way. This is compared to previous years 714 violations stopped.

Most of the assurances of discontinuance we have accepted have naturally been in the deceptive practices field. After all, price-fixing conspirators are seldom merely victims, if you will pardon the expression, of a "misunderstanding." But we have accepted a few assurances of discontinuance in the "restraint of trade" field. Many cases

of refusal to deal have been resolved in a matter of hours through informal conferences.

A small businessman calls up the Federal Trade Commission and says "I don't know whether you can do anything about it but I have been buying from this supplier for 20 years and I put in an order and it is not filled. They will not talk to me. Can you help me?"

Well, we try to help as best we can.

We have had two section 8 cases. These are interlocking directorates you hear a lot of. They have been terminated voluntarily.

In the 14-month period ending March 1 our Division of Discriminatory Practices has accepted assurances of discontinuance in 21 cases: 8 involving section 2(d); 7 involving both sections 2(d) and 2(e); 4 involving 2(a); and 2 involving 2(c).

I said to that group, and I can say it to you, just think, with the proper handling we could have made a Supreme Court case out of every one of those. However, we felt you wanted us, and the whole Congress wanted us, and our mandate was to get results. We are trying this way, sir.

I have broken down this statement, Mr. Chairman.

I say to you that I do not think there is anything basically new in here other than a little highlight.

Mr. THOMAS. Your summary is excellent, too. Let us insert it verbatim in the record.

(The statement follows:)

FEDERAL TRADE COMMISSION

This budget request reflects a long overdue shift of emphasis in the Federal Trade Commission's approach to its mission of obtaining compliance with the trade laws.

It would support an effort, unprecedented in degree, to guide and encourage businessmen to comply with these lows voluntarily. It makes the realistic assumption that if compliance is to be achieved with the least delay and cost, only the support of a business community aware of the laws' requirements can accomplish it. It also recognizes that the Nation's economy cannot afford business predators who make happy their stockholders but at the price of illegally crushing competition.

The appropriation we ask is the minimum needed to encourage and to backstop efforts of business to abide by the mandate of Congress that business competition be free and fair and that the buying public be protected from deception in the marketplace. Instead of the FTC's concentrating on catching a few offenders as examples for the education of others equally culpable, a policy that too often has frightened the others not at all, the Commission now is attacking illegalities by providing business with much better instruments to police itself and by bearing down as widely as possible on those who in spite of this guidance persist in violating the law. In short, enlightenment and persuasion are being put first and the Commission's adversary powers concentrated on the defiant.

To continue this effort, the Commission will need $13,776,000 in fiscal 1966. This is only $317,000 more than was appropriated for fiscal 1965. It provides for an increase of 18 positions to bring staff strength up to 1,193.

Many businessmen, particularly small businessmen, have not yet become acquainted with FTC's new approach to its function. But the word is getting around, and when the business world appreciates fully that the FTC offers long-needed guidance and is a capable ally instead of a trigger-happy policeman, then the rush will be on—and with it an unprecedented demand by businessmen for FTC's services. The Commission's job thus becomes more complex and difficult. But the new approach also holds out the bright and attainable promise that, after 50 long years, the Commission can serve with far effectiveness the purpose for which it was created. Also, the public can be expected to put more reliance in an agency of demonstrable effectiveness.

A key to the Commission's new approach is more careful planning of how best to cope with illegalities. Instead of shooting first and analyzing later, criteria are being further developed in our case selection to assure that we are not simply spending money and racking up statistics without commensurate results. Simple fairness to competing business demands: first, an analysis of the illegality to determine its character and prevalence; second, a determination of the amount of public interest involved, for the FTC never will be staffed to pursue every grievance or to assign all matters equal priority; third, that consideration be given to correcting, if possible, the illegality by illuminating it for all concerned, or by accepting from violators their assurance that the violation will be discontinued; and finally, should these informal efforts fail (or be deemed insufficient), then to strike quickly at the defiant violator with the full force of the law. Such planning will enable the FTC to husband its adversary resources to attack hard-core violations (of which there are far more than enough).

We are asking only $155,000 for additional personnel, and of this amount, the largest increase for any single function is $51,000 for six new positions in the Division of Trade Regulation Rules. For our other work in industry guidance, the present staff will have to suffice. It must be pointed out, however, that the new emphasis on industry guidance and equitable broad-scale correction of law violations adds to the workload of all the FTC bureaus. FTC's field offices and the enforcement bureaus must perform most of the investigative work that identifies problems and their scope, so that judgment can be made on how best to cope with them, including the issuance of trade regulation rules.

These rules are the newest of FTC's industrywide procedures and are designed to prevent unlawful practices by serving notice on all concerned that the FTC will rely on these rules in litigation against any industry member who ignores them. The rules, of course, are not law, but they do notify an industry that the Commission believes the rules will, without need for further proof of their validity, be upheld in lawsuits where they can be brought to bear.

Since the trade regulation rule program began on July 1, 1963, seven sets of rules have been promulgated. Among other things, these have dealt with the advertising and labeling of cigarettes, "leakproof" batteries, and used lubricating oil. Other rules are being formulated, dealing with such subjects as the advertising of "automatic" electric sewing machines, electric light bulbs, and the size of television picture tubes. Other and very important possibilities for trade regulation rules deal with marketing of gasoline, and deception in the marketing of automobile tires.

Certainly as industries suffering from illegal practices become aware of the usefulness of trade regulation rules, more applications for their issuance will be received.

An average of 10 months has been required for each of the rules thus far promulgated. We hope to reduce this time by improved managment procedures. Even so, without more attorneys for this work, delay can go far toward sabotaging the whole program. We are therefore asking for a staff increase of six for trade regulation rules.

In other areas of industry guidance, progress can be reported. Trade practice rules were promulgated during the year for the household furniture and braided rug industries, and industry guides issued for the mail-order insurance industry. In fiscal 1965 similar guidance will be offered the phonograph record, fresh fruit and vegetable, hearing aid, iron pipefittings and unions industries, and guides against deception as to broadcast audience coverage.

Nor are such rules and guides issued and thereafter ignored. More than 350 violations of them were halted last year, and 307 more were receiving attention.

Also very active has been FTC's new program for giving binding advisory opinions to businessmen on the legality of actions they propose to take. In fiscal 1964, almost 200 requests for opinions were received. The Commission gave binding opinions in 28 cases, whereas 154 requests were disposed of satisfactorily by FTC's staff. Significantly, the number of requests for advisory opinions increased 23 percent over the previous year, and it is certain to increase substantially as the service becomes better understood by businessmen.

Another new step toward expanding FTC's guidance role is planned for fiscal 1966, with the creation in the General Counsel's Office of an Office of Federal-State Cooperation. It will bring about a long-needed improvement in communications between the States and the Federal Government on how better to deal with antitrust, antideceptive practice, and consumer protection problems. It also will maintain a central record system pertaining to migratory trade law

violators. In addition, a program to advise State officers of FTC's law enforcement techniques will be developed. For the creation of this Office, $21,000 is requested to provide a staff of two.

Whether the Commission's guidance efforts are accepted seriously or simply as well-meant advice depends to a great extent on how effectively its law enforcement work is conducted. Unless the FTC has muscle and the willingness and capacity to use it when necessary, business will regard its admonitions as no more than pieties.

The second largest increase sought for any single phase of its work is $42,000 for the Bureau of Restraint of Trade. This increase would provide only for badly needed strengthening of the FTC's efforts to halt illegal mergers. Such proceedings are the most difficult and complex of any matters in the field of antitrust, and usually with millions of dollars at stake, law violators are quite willing to defend their illegal acquisitions with the best legal talent that money can buy. Thus, in challenging the legality of a corporate merger, the FTC knows it is asking for a fight.

Criteria used in selecting industries on which to concentrate FTC's limited funds include the importance of the industry to the national economy and the competitive significance of mergers within the industry. Indeed, it may well be a better use of the Commission's funds to move promptly against illegal mergers threatening to tie up an industry than to tackle the costly job of undoing concentration where it has long been established. The industrywide approach has the further advantage of enabling the Commission to form a better judgment on which mergers threaten competition and which strengthen it.

To plan and implement industrywide efforts to cope with illegal mergers requires greater manpower, in ability and in numbers, than does the investigation and trial of individual and unrelated cases. To do this and to handle our anticipated caseload of some 25 litigated cases and 120 formal investigations is going to require the additional $42,000.

In the field of general trade restraints prohibited by section 5 of the Federal Trade Commission Act, our staff of less than 30 has been confronted with a workload heavy enough to require regular (and unpaid) overtime work averaging 11 hours a week from each attorney. In the past fiscal year, this staff initiated 110 new investigations and completed 93. It also processed 713 applications for complaint, a 15.5 percent increase over the previous year, and at the same time reduced by a third the number of pending investigations at the year's end. To this was added substantial counseling on advisory opinions.

A major problem in this area is discriminatory pricing of gasoline, resulting from efforts to restrain competition between the large petroleum companies and independent marketers, small refinery suppliers, jobbers, private-brand marketers, even small retail gasoline dealers. Realizing that in this field are factors that require better understanding before effective corrective action can be taken, the Commission will commence next May 3 an industrywide inquiry into the competitive problems of marketing gasoline.

Other areas scheduled for determined attention are price fixing by manufacturers and sellers of bearings, shoes, clothing and textiles, and television tubes.

In enforcing the Robinson-Patman amendment to the Clayton Act, the fiscal year 1964 found the Commission's staff with 1,120 cases under investigation and 58 formal complaint cases in litigation—a tremendous load, particularly considering that time is of the essence in halting violations, for every day of discrimination in price or otherwise works hardship on unfavored competitors.

Here again, the FTC is tackling the problems on an industrywide basis if possible. This is particularly true in actions involving these industries: carpets and rugs, macaroni products, biscuit products, fluid milk and dairy products, and wearing apparel.

If the pending caseload for the FTC's Division of Discriminatory Practices were divided equally among its 38 trial attorneys, each attorney would have to handle about 30 cases. This is too many. Unpaid overtime becomes a commonplace. Moreover, such cases are hard fought by respondents. In one case, a respondent's cost justification defense is reliably reported to have exceeded $500,000, exclusive of attorneys' fees.

Then, to all the active investigations and prosecutions must be added the job of policing compliance with the more than 1,200 restraint of trade orders outstanding, with some individual orders involving scores of respondents. These orders cannot be permitted to shrivel into history: they are very much alive

and must be enforced, lest past expenditures in obtaining them be nullified and disrespect engendered for current and future FTC orders. The staff now has a virtually unmanageable workload of more than 400 active cases, more than 30 per attorney. And this is in addition to their responsibility for making a systematic check of older orders. Plus the job of assisting in the Commission's advisory opinion program.

Yet, for all the foregoing antimonopoly efforts, we are asking for no additional money except the $42,000 for antimerger work.

For the Commission to approach certain industrywide enforcement problems intelligently requires an understanding of the economics of the particular industry. Certainly this is necessary for a correct assessment of what remedy to apply as well as to provide facts to support whatever remedial action the Commission decides to take. This understanding also serves the not inconsiderable advantage of guarding against ill-considered and precipitous action whose results would not justify the time and money spent. In other words, it behooves the FTC to have enough facts in advance to proceed wisely.

Recently the Commission called upon the Division of Industry Analysis in its Bureau of Economics to prepare a comprehensive analysis of cigarette output and advertising expenditures. This provided substantial background for the Commission's decision to issue a trade regulation rule for the cigarette industry.

A similar analysis is underway for the portland cement industry, which is threatened by what appears to be a dangerous concentration resulting from forward integration, through mergers, into, the ready-mix concrete and concrete products industries.

The Division also has been called upon to assemble and analyze information to be used by the FTC at forthcoming public hearings on competitive problems in the marketing of gasoline.

There is no question that other such subjects will undertaken in support of the Commission's industrywide guidance and enforcement programs in fiscal 1966. For this reason we need to bolster our staff of 19 economists on the staff of the Division of Industry Analysis by four at a cost during fiscal 1966 of $41,000.

Concerning the work of developing and evaluating economic data required in the planning and prosecution of cases, particularly restraint of trade and merger cases, we will try to make our present manpower suffice. This will be touch and go, for corporate mergers are being consumated at a record rate, and many of them have a permanently adverse effect on the competitive structure of the economy. Moreover, the trend is increasingly toward the acquisition of large independent companies by even larger industrial corporations. Because of our limited resources, a careful screening of such mergers is necessary to assure that we select the most significant targets.

In addition to this merger work, our Division of Economic Evidence is making an industrywide investigation of interlocking directorates in every major industry. A number of cases probably will develop from this study.

The work of the Bureau of Deceptive Practices fits into the new policy of obtaining compliance with the law with the least amount of litigation. This Bureau backs up efforts to obtain voluntary compliance with the law by bringing forceful action against those who will not comply voluntarily. At the same time, when its investigations disclose violations, it refers them to the Bureau of Industry Guidance if they lend themselves to broadscale correction by voluntary means.

But the responsibilities of this Bureau are considerably broader. If voluntary processes won't correct evils, then they must be corrected the hard way. With millions of dollars riding on quick-kill advertising campaigns, plus cut-throat competition among advertisers, it is necessary to backstop businessmen's good intentions with the capacity to issue cease and desist orders quickly.

The stakes are high. At least $12 billion will be spent for advertising in fiscal 1966, of which the top 100 national advertisers will spend well over $3 billion. Of these 100, the FTC has jurisdiction over 89, and 31 of them already are under 48 formal cease and desist orders for past violations. And these are just the top 100; there are many thousands more. And false advertising is only one form of deception for whose correction the FTC is responsiblie. The halting of "deceptive acts or practices" in any form in commerce is the Commission's job.

To state with precision exactly what deceptive practice areas will confront FTC in fiscal 1966 is difficult, but it is certain that many of the targets now in sight will still be targets.

The Commission is taking a close look at the $400 million analgesic industry and its advertising, and an industrywide investigation is pending. Another

project well underway is a study of arthritis and rheumatism advertising aimed at 12 million sufferers in the United States. Still another is the advertising of air filters and purifiers. This, too, has prompted an industrywide investigation. Also planned is an inquiry into the advertising of blood cholesterol products for heart disease.

While the problem of cigarette labeling and advertising is being handled by means of a trade regulation rule, its eventual enforcement will present a problem. Also, it is expected that a hard look will be required at a variety of advertising of drug products claimed to cure the smoking habit.

Certain to be a fiscal 1966 problem for the Bureau of Deceptive Practices will be the ramifications of its current industrywide investigation of claimed cures for the common cold. Special reports already have been required from 35 companies in this field, and voluminous clinical and other data pertaining to 85 different products have been received. That this investigation is momentous is evidenced by the facts that 500 million cases of the common cold occur each year in the United States, and consumers spend $400 million trying to get over them.

Also under scrutiny is advertising of food supplements and a wide variety of vitamin and mineral preparations, special dietary foods, and assorted so-called health foods, for which consumers spent about $200 million for over-the-counter preparations during 1963.

To backstop our lawyers with the scientific knowledge necessary to appraise and, if necessary, to attack claims for foods, drugs, medical devices, cosmetics, or any other commodity subject to the Federal Trade Commission Act will place an extremely heavy burden on the five physicians and three scientists assigned to the Division of Scientific Opinions. Nevertheless, no additional funds for this work are being asked.

In the field of general advertising, the Commission is making an unprecedented effort to avoid formal litigation if it is at all possible to halt the illegalities more quickly and cheaply by informal means. Consequently, much investigational work here is used in formulating industry guides and trade regulation rules.

More than enough casework remains to be done not only to back up the voluntary complinace program by striking at those who defy it, but also in attacking deception in the countless guises it uses to entice the credulous. The text of this budget justification lists some of the 1964 favorites; in fiscal 1966 new schemes will be added to the perennials. And the victims are usually those least able financially to afford being gypped. While it always can be argued that FTC's efforts can never be expected to banish chicanery, it must not be tolerated either. And although the Commission's present staff assigned to this work can expect to be overloaded, it will do its best to keep the rackets from getting out of hand. No additional funds are being requested.

A serious overloading of staff is encountered in the Division of Compliance where there has been no additional professional help since its organization in 1961, and this despite a major new responsibility plus a steadily rising accumulation of orders (634 in 4 years) to be enforced. The new responsibility is to give the Commission the necessary information on which to base advice to respondents (against whom orders have been issued) on whether their proposed advertising or other promotional material is in accord with the requirements of the FTC's orders. This compliance staff also prepares civil penalty enforcement proceedings for violations of deceptive practice orders and certifies them to the Attorney General for prosecution. Fines and penalties totaling $69,500 were assessed in fiscal 1964. With crossed fingers, we are trusting that the present staff can manage the fiscal 1966 workload.

The same hope applies to the staff of field investigators. Here again we are asking for no additional funds despite the fact that the field staff's work has been increased greatly by the new authority given them recently to obtain voluntary assurances of discontinuance from respondents, plus authority to negotiate consent settlements where litigation is not required. Thus, attorney-investigators in the field play a very important role in implementing any broad-scale action. Not only do they do the investigating, but they contribute much to the speed of any industrywide cleanup. Also, they are participating in the trial of an increasing number of litigated cases, as well as playing an ever larger role in FTC's plan to provide businessmen with more advice and guidance as a happy alternative to formal proceedings.

The plight of FTC's Bureau of Textiles and Furs can be summarized in a sentence: It is doing a remarkable job considering the size of its staff (96 including clerks and typists) but, considering the size of the job demanded for protection of the consuming public, the policing job hardly scratches the surface.

The problem is one of overwhelming volume. Policing of thousands of textile and fur manufacturers and hundreds of thousands of distributors is mandatory under the Wool, Fur, and Textile Acts. And next to food and shelter, clothing takes the third biggest bite out of the consumer's income. In addition, this staff has been encountering more violations of the Flammable Fabrics Act, which it also must enforce.

More than 11,300 inspections were made during the year and several thousand violations and deficiencies were discovered. As a result of the Commission's policy for cooperative settlement, 3,112 of these matters were settled by administrative treatment or assurances of discontinuance.

This Bureau's Division of Enforcement was able to dispose of 266 cases last year as compared to 126 the year before, but this is close to the limit of its capacity. Each trial attorney completed an average of 44.5 cases. Many matters that warranted investigation had to be passed over for lack of personnel. And the future caseload is expected to continue to increase.

It will take a great deal of doing for this staff to meet a workload that very likely will increase during fiscal 1966.

All of the time, money, and manpower invested in the successful prosecution of a case resulting in a cease-and-desist order could be lost if, when appealed to the courts, it is ineptly defended. This is the last mile, and to falter is indefensible. We are in danger of faltering because of an overload of work for attorneys in the General Counsel's Division of Appeals.

During fiscal 1964 the Division handled a record 133 cases. In each fiscal year, the workload has become heavier, and to accomplish it necessitates a great deal of unpaid nighttime and weekend overtime work by the 23 attorneys in the Division. We expect the situation to worsen, for while there is no exact way of knowing how many FTC decisions will be appealed, there is strong reason to believe the workload will mount.

Yet, we will undertake to handle this work without additional funds. The only other major request we are making is for $74,000 to purchase the computer which we now are renting. Simple arithmetic dictates this purchase, for not only is this machine vital to the processing of our work and to continue to rent it instead of buying it is poor economy, but also the computer's purchase will assure the speed and capacity for processing all work that we anticipate.

While the budget increases we here request will shore up the weakest spots in the Commission's guidance and enforcement work, we are all too aware that our total budget provides less than minimum requirements. We simply have to develop even greater production from the manpower we have.

It is hoped that this summary of the Federal Trade Commission's requirements for fiscal 1966 sufficiently emphasizes one dominant fact: that wherever possible the Commission seeks with the least amount of litigation necessary to guide and assist the reputable majority of businessmen in maintaining free and honest competition.

We hope to count our success not so much by the number of legal proceedings begun or completed but by the extent to which we bring about meaningful compliance with the law.

### JURISDICTION ON MERGER CASES

Mr. THOMAS. Refresh our memory on merger cases. What is your jurisdiction on mergers? Do you have to have permission from the Justice Department before you can take jurisdiction of a merger case?

Mr. DIXON. No, sir. We have concurrent jurisdiction with the Department of Justice in the merger field. When the Congress passed the Clayton Act they whittled out of the Clayton Act to other regulatory agents—communications to FCC, and the airlines CAB, and so forth. Everything that was left to the Federal Trade Commission was given responsibility to proceed against. This is all in section 11 of the Clayton Act.

However, section 15 of the Clayton Act gives the Attorney General overall responsibility to proceed through the individual U.S. district attorneys, so what we have is a concurrent responsibility with the

Antitrust Division of the Department of Justice on that part of the economy which we apply to.

Mr. THOMAS. You do not exercise any jurisdiction without consultation and complete agreement with the Justice Department?

Mr. DIXON. It is a two-way street, sir.

Mr. THOMAS. The basis of it is that the Justice Department handles most of it, and you agree between yourselves?

Mr. DIXON. That is correct. We decide which agency is to proceed with the case.

Mr. THOMAS. Do you have a specific section in the act you can put your finger on, or is that by agreement? Does anybody have it?

Mr. DIXON. We have a section 7. You mean the basic section of law or our arrangement with Justice?

Mr. THOMAS. Read the pertinent part.

Mr. DIXON. Section 7.

Mr. EVINS. The Commission acts as a master in chancery upon reference from the Court to ascertain and report in appropriate form antitrust decrees in equity suits brought by or at the direction of the Attorney General.

This is the section 7 of the Federal Trade Commission Act from the annual report.

Mr. DIXON. I think that section 7 of the Clayton Act is what is meant.

Mr. THOMAS. Put them both in the record. One clarifies the other.

Mr. DIXON. Section 7 of the Clayton Act pertains to acquisitions. It reads as follows:

> That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire the whole or any part of the assets of another corporation engaged also in commerce where in any line of commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly.

Now you need section 11 to go with that.

Mr. THOMAS. That is where you whittle it out?

Mr. DIXON. That is right. This is called the empowering section for the regulatory bodies. Jurisdiction to enforce compliance, complaints, findings, and orders.

It reads:

> That authority to enforce compliance with sections 2, 3, 7, and 8 of this act by the persons, respectively, subjet thereto is hereby vested in the Interstate Commerce Commission where applicable to common carriers subject to the Interstate Commerce Act, as amended; in the Federal Communications Commission where applicable to common carriers engaged in wire or radio communication or radio transmission of energy; in the Civil Aeronautics Board where applicable to air carriers and foreign air carriers subject to the Civil Aeronautics Act of 1938; in the Federal Reserve Board where applicable to banks, banking associations, and trust companies—

and then there is the whippersnapper—

> and in the Federal Trade Commission where applicable to all other character of commerce to be exercised as follows * * *

You see, you have whittled out the true regulatory areas, and then that part of the economy subject to free market play is left to the Federal Trade Commission.

I can go to section 15.

Mr. THOMAS. You have jurisdiction over Federal Power, over mergers in the field of gas and electricity. That is not one of the exceptions?

Did you overlook that?

Mr. DIXON. All manufacturing we would have, sir.

Mr. THOMAS. This would be transportation.

Mr. DIXON. Section 15 is the empowering section for the Department of Justice, jurisdiction of the U.S. district court.

Mr. THOMAS. Summarize that. That is important, too.

Mr. DIXON. It states:

That the several district courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act, and it shall be the duty of the several district attorneys of the United States in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations.

Mr. THOMAS. Gentlemen, let me call your attention to something that interested me, and I am sure it will interest you.

On what page is your organization table?

Mr. DIXON. Right behind my summary, page 1.

ORGANIZATION AND OPERATING PROGRAMS

Mr. THOMAS. Look at table 1, gentlemen. The operating bureaus are set out, and then the Commissioners and the Chairman, Office of the General Counsel, Office of Hearing Examiners, Executive Director, and the Office of Program Review. We have a lot of chiefs and too few Indians.

We have the Office of the Secretary, Office of Administration, Office of the Comptroller, Office of Information, and then here are the operating bureaus.

Turn next to functions. This chart is on page 5. It is shown by activities. See if you can follow your bureaus. See how they are interwoven? It breaks itself down into activities; antimonopoly and deceptive practices. You take these bureaus and all these offices, and they work both sides of the street so far as the agency is concerned. They work all over the lot. That would be better language.

Mr. DIXON. The big problem here perhaps would be to clarify this point.

Mr. THOMAS. It is clear. Investigation and litigation, economic and financial reports, trade practice conference, industry guides and small business; compliance investigations for Attorney General. I have 64 cases in 4 years.

Off the record.

(Discussion held off the record.)

CASES REFERRED BY ATTORNEY GENERAL

Mr. THOMAS. You have only 56 cases referred by the Attorney General?

Mr. DIXON. Yes.

Mr. THOMAS. You wanted about 80 people. I think the committee finally agreed to a figure of about 70. What are those people doing now?

Mr. DIXON. We melded them right back in and came to you last last year. You will recall that I informed you that during the past year we had adopted another procedure for the businessmen who were under——

Mr. THOMAS. Where did I get my figure?

Mr. DIXON. They haven't sent us any more cases. Finally Congress passed a CID bill—civil investigative demand bill—for them, and they got about the same amount of power to investigate as we now have, although in this law of ours, as Congressman Evins read, as the act said, whenever the Attorney General shall call upon us we shall make an investigation and report.

Mr. THOMAS. That is the answer, then.

Mr. EVINS. What happened to these 56 cases? An injunctive order was issued. They turned them over to the Commission to investigate.

Mr. THOMAS. Perhaps you and the Chairman had better discuss that.

Mr. SHEEHY. We have reported on 55 to the Department of Justice after complete investigation. One is still in our New York office to be completed this month.

Mr. THOMAS. Where did you report? What was the finding? How many have been in violation, if any?

Mr. SHEEHY. A number of violations were reported by the Commission. I do not have the number in mind.

Mr. THOMAS. Does anybody have that information?

Mr. DIXON. If you want that we can send it to you.

Mr. THOMAS. Can you give us a horseback opinion?

Mr. DIXON. I would say that action of some type was recommended in just about half of them, Mr. Chairman.

Mr. THOMAS. Would it be a fair statement that out of the 55 cases about half of them were found to be in violation?

Mr. DIXON. There were questionable practices in about that many.

Mr. THOMAS. Under the Executive order or the agreement, whatever you want to call it, is it up to you to turn around and file whatever complaint is to be filed?

Mr. DIXON. No, sir; we send it back to Justice because each of these cases is retained in the district court where it was brought. Jurisdiction was retained there.

Mr. THOMAS. It remains there?

Mr. DIXON. Yes, sir.

I might say this: We have not had a single question from the Justice Department on anything we have done on this.

Mr. THOMAS. Does the court retain jurisdiction?

Mr. DIXON. Yes.

Mr. THOMAS. It is not a final judgment, then?

Mr. DIXON. They retain jurisdiction of it and they carry out the judgment, even if it goes up. The district court carries it out.

Mr. WHEELOCK. They retain jurisdiction for the purpose of enforcing their decree. In our investigation we would show evidence that could be used in that court, to show whether or not they were in violation of the decree.

Mr. THOMAS. As a matter of law it is not a final judgment, then, is it?

Mr. WHEELOCK. A final judgment in the sense it is a final decree but they retain jurisdiction for enforcement purposes.

Mr. ELMAN. It is a continuing kind of decree. If there is evidence of violation the evidence is given to the court.

Mr. THOMAS. Is it stated the court shall retain jurisdiction?

Mr. DIXON. In each decree.

Mr. EVINS. Taking it a step further it would be interesting to know what action Justice has taken on the 50 who showed some violation, particularly the 6 or 8 hard-core cases.

Mr. MACINTYRE. If I may comment on that, Mr. Chairman.

Mr. THOMAS. Before you start, Mr. Commissioner, it would be well to insert the breakdown.

(The information referred to follows:)

*Summary of Attorney General cases*

| | |
|---|---|
| Cases recommending appropriate action | 25 |
| No action recommended | 27 |
| Returned to Department of Justice at their request | 3 |
| Not yet completed | 1 |
| Total cases | 56 |

It should be noted that some of the cases involving affirmative recommendations by the Commission were forwarded to the Department of Justice within the past several months and it could not reasonably be expected that the Department would have had sufficient opportunity to formulate a position on these matters because of the bulk of the evidential material and the complexity of some of the issues presented.

Mr. MACINTYRE. I think the precise figure should be inserted as to which ones or how many of these have violations.

However, in answer to your question about a horseback opinion, I would say that there were about 12 out of the total 56 which had rather substantial showings.

Perhaps, as has been said, there would be some technicalities involved in 20 or 25, but I think that when the precise figures are given you it will be shown there are about a dozen——

Mr. THOMAS. Have the courts acted on any of these cases submitted to them?

Mr. MACINTYRE. I have no knowledge.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. WILLIAMS. I am not positive of it.

Mr. DIXON. Under this mandate from the Attorney General and your support with money for us to do this, we could do no more than carry out the investigation, report and recommendation. It was up to the Attorney General to decide what to do beyond that stage, just as we must decide when we have a compliance investigation of our own how to proceed.

## CIGARETTE ADVERTISING RULES

Mr. JONAS. What is the status of the cigarette advertising order you issued last year?

Mr. DIXON. It is on suspense. The effective date was suspended at the request of the Commerce Committee of the House of Representatives.

After we held our hearing and issued our trade regulation rule we were called up by the Commerce Committee to appear there on the general problem.

During the long day that this problem was discussed, somewhere right in the middle of it, I had recited to the committee that we had completed our deliberation and we had come to a decision, but that I had tried even up to that day to get them out of the print shop to where they could be released, but they had not been. My general recommendation was that I thought the committee would want to see our rationale before they proceeded further.

Congressman Kornegay told me that if we had made up our minds, he thought we should inform them right then and there.

I said I didn't have all the copies but I had some.

He said "I demand it." I handed them to him, and that is the way it came out.

Then shortly after that the chairman, Mr. Oren Harris, wrote a letter to the Federal Trade Commission and he said it was the will of the committee for the effective date of the rule to be extended—because during my testimony I had described what I considered would be the legal due processes available to the industry.

I said that I believed that any member of the industry could go into any district court and seek a review of whether or not we actually had the basic jurisdiction to proceed this way, and from there up it would go.

Mr. JONAS. The order is in suspense now?

Mr. DIXON. It is, sir; until July 1.

Mr. JONAS. To a definite time?

Mr. DIXON. July 1 of this year.

Mr. JONAS. So no legal action has been instituted?

Mr. DIXON. None has, sir.

JURISDICTION OVER CIGARETTE ADVERTISING

Mr. JONAS. I was a little disturbed to read an article in the University of Pennsylvania Law Review for December of 1964, the burden of which indicates that this writer feels you do not have jurisdiction; that the courts already had held to the contrary.

Mr. DIXON. Mr. Jonas, if I thought for 1 minute we did not have that authority I would no more have engaged in it than I would try to fly to the moon.

Mr. JONAS. I understand that. Have you read this article?

Mr. DIXON. I don't think I have read that one.

Mr. JONAS. But you have read a lot of them, haven't you?

Mr. DIXON. I have read a lot of them. The industry appeared before us and did not contest in any way any of the basic findings that we made necessitating the rule, but they did give us an extended brief in questioning our authority.

Mr. JONAS. How do you square this decision with the rule announced in the *Alberty* case? The court said you could not require, you did not have authority to require, a manufacturer to educate the public. Your authority was restricted to eliminating deceptive practices, false advertising, et cetera.

Mr. DIXON. This was a drug case, a vitamin case.

Mr. JONAS. I think that is correct.

Mr. DIXON. We didn't have the proper allegations in the complaint, nor the record to sustain. I think possibly the court was right, but I have no doubt about the basic record here, sir.

Mr. JONAS. The court held you exceeded your authority in that case.

Mr. DIXON. I think we had a defective record.

Mr. JONAS. In that case, according to this article, the manufacturer claimed that his product was able to cure fatigue caused by iron deficiency anemia.

I am quoting now:

> The FTC did not deny this claim but insisted that the manufacturer include in all future advertisements the information that iron deficiency anemia was only a minor cause of fatigue, and further that his product could not relieve fatigue from other causes.
>
> While such information might be interesting and perhaps useful to the public, the court refused to require the manufacturer to educate the public at his own expense.

The burden of this article is that you are seeking to require cigarette manufacturers to educate the public, and that is in excess of your authority under section 5 or section 15.

Mr. DIXON. If I may try to differentiate this. In that case I think, if the writer went into this in depth, he would have revealed to the reader that the Federal Trade Commission in the *Alberty* case did not charge as a violation that this company had failed to reveal something.

What the Commission there did was to charge deception and then enter an order, a cease and desist order, which was based upon a record where there had been a failure to say "This is what we are putting respondent on notice to defend."

Different from that, in those cases where the Federal Trade Commission has alleged a failure to reveal something as contributing to deception, we have been unheld in the courts. I pointed this out to that committee over there, and I listed them until they got sick of my listing cases. A lot of them support the other side with firm authority, sir.

Mr. JONAS. What firm authority—for affirmative disclosure where the advertising does not claim therapeutic value?

Mr. DIXON. For us to proceed against deception, not deception that comes from a false statement but the deception that comes from the failure to reveal something which can be equally deceptive because of the affirmative claims made on the circumstances under which the product is used.

Mr. JONAS. Which is the section on which you base your authority to go that far? Is it 15 or 5?

Mr. DIXON. It is in 5. And in the case of food, Congress said in drugs and cosmetics, Congress strengthened the act by sections 13, 14, and 15. In 15 it is provided, among other things, that:

> For the purposes of sections 12, 13 and 14 the term "false advertisement" means an advertisement, other than labeling, which is misleading in a material respect; and in determining whether any advertisment is misleading there shall be taken into account (among other things) not only representations made or suggested by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertisement fails to reveal facts material in the light of such representations—

and so forth. It is right smack on the point there. Congress spelled it out.

In section 5, where we had to proceed here, a cigarette is a thing, not a drug. It is just a thing, not a cosmetic or drug or device. It is a product.

Section 5(a)(1) states:

Unfair methods of competition in commerce, unfair or deceptive practices in commerce, are hereby declared unlawful.

Mr. JONAS. This writer states that the rationale of section 15 was that when drugs are advertised to claim therapeutic value. He says there is no such claim in cigarette advertising. Section 15 was put into the act to require, where advertising material makes affirmative claims of therapeutic value, that adverse results must be shown, and can be required by the Commission.

Do you recognize any dissension there from your study of the hearings and legislative history when section 15 was added?

Mr. DIXON. I do not read it that way, sir.

Mr. JONAS. Have you ever made an order similar to the one in the cigarette case in which there was no positive claim of value?

Mr. DIXON. We have, under section 5. In the discussion regarding the basis and purpose for this rule we put out, there is an excellent detailed discussion on this very point. I don't know whether that writer was referring to our discussion when he wrote this where he took issue or not, but we were well aware of the principle. We cited other examples in other cases which would be more in point than my generalization.

Mr. JONAS. More in point than the *Alberty* case?

Mr. DIXON. Yes, sir. The *Alberty* case again, sir, was more faulty pleading than anything else.

Mr. JONAS. How many lawyers do you have in the Division? You don't mean they would file faulty pleadings?

Mr. DIXON. *Alberty* goes way back. In that decision of *Alberty* the court deals with whether or not the Commission exceeded its power in the relief which it ordered——

Mr. JONAS. That is right.

Mr. DIXON. Predicated upon the allegations of the complaint and that record.

In the complaint in that case the Commission did not allege as a section 5 violation, or a section 15 violation, the failure to do something.

Mr. JONAS. Was the *Alberty* case decided before section 15 was enacted?

Mr. DIXON. No. It was the first one brought up.

Mr. JONAS. Has the *Alberty* case ever been reversed?

Mr. DIXON. It may have been superseded. It has been referred to and distinguished in a number of other cases. We have no authority beyond that. We have had the other cases in a number of courts of appeals where the courts have upheld the Commission's authority to require disclosures similar to those involved in the *Alberty* case, where we properly pled it.

Mr. JONAS. I wanted Mr. Dixon's comment on this.

Mr. EVINS. If you have a hard core case you are berated and your jurisdiction is questioned. Now you are proposing to proceed in some of the misleading advertising cases and you are being questioned on your proceedings with that.

In reference to the chairman's statement earlier, I read some article that the lawyers were opposing the Commission in being able to proceed collectively in these false and misleading advertising cases. They cited the statute and said you did not have authority to proceed wholesale.

Of course, you have been doing it for years. They said in the public interest the Commission is authorized to issue complaints against persons, partnerships and corporations within its jurisdiction.

They cite that section in the article I read. They said you are empowered to issue complaints and not empowered to call a trade practice conference.

There are other sections where you have that authority.

Mr. JONAS. I myself do not question the authority of the Commission to outlaw false and deceptive advertising, but the Commission has gone much farther than that in the cigarette cases. It is directing an affirmative disclosure that somebody has come up with a theory that cigarette smoking is dangerous to health.

Mr. EVINS. Their authority is questioned in all fields, both in the minor cases and in the antitrust cases.

Mr. DIXON. It would be questioned everywhere, sir.

I would say to you that the power Congress gave us in section 5, and specifically section 5(b) was one of the admonitions to this Commission to proceed.

It is overdue, sir.

In my prepared statement, which has been made part of this record, I stated that since 1962 we have proceeded against several practices on an industrywide basis by way of general trade rules.

We started against sleeping bags, and we have moved against the sales of sleeping bags, and we have moved against other items such as prismatic and partially prismatic binoculars, flashlight batteries which were said to be leakproof, automatic heads on sewing machines, and other items.

In this speech I referred to, I talked about the size of these industries. We have not had any questionnaire, but when we proceeded against the advertisement of cigarettes, the industry gave us notice they did not agree we had this power.

During the hearing before the Commerce Committee, under questioning, I said they had several remedies: they could go immediately and seek a review of our power—and Iwould wish they would do it. Or else they could wait, and when our rule became final if they did not live up to the rule, we would then file a complaint and they could defend that.

Mr. JONAS. How many affirmative disclosure cases have occurred and been upheld since 1950?

Mr. DIXON. I would have to again go back to a check of the record.

Mr. JONAS. How many, would you say?

Mr. DIXON. My counsel says about five.

Mr. JONAS. Were they taken through the courts?

Mr. SWEENY. Yes, sir

Mr. JONAS. What sort of disclosures were required?

Mr. SWEENY. There were about four of them, sir, in the baldness remedy. Most cases of baldness can not be influenced by the use of these drugs, and the courts in all of those cases upheld our authority

to require such a disclosure, and carefully distinguished each case from *Alberty* case by saying we had followed the procedure which *Alberty* said we should follow, and that the Commission did have authority.

Mr. JONAS. In the baldness cases the claim was made in the advertisement with respect to the tonic that it would cure baldness?

Mr. SWEENY. Yes, sir.

Mr. JONAS. And that is the point this writer of the Pennsylvania Law Review article is making: that where an affirmative claim of some therapeutic value is advanced in the advertising, you have the right to require complete disclosure of any adverse effects. But he makes the point the cigarette advertising does not claim it improves health, that this is a case of first instance, and that the Commission has never and no court has ever upheld the right of the Commission to require affirmative disclosure in this kind of a case. Would you say that is incorrect?

Mr. SWEENY. I would say, sir, that the trade regulation rule for cigarettes is not dependent upon this section of the statute, it is on section 5.

Mr. DIXON. I can give you two cases, now that my memory has been triggered. One was the *Haskelite* case. Here was a paper tray that looked exactly like wood, and we required them to reveal it was not wood. We had a rayon case——

Mr. JONAS. That is a deceptive practice. You are going much further than that in the cigarette case. They do not claim cigarettes——

Mr. DIXON. The failure to reveal.

Mr. JONAS. Failure to reveal what constitutes a product, what its constituent elements are is quite different than a failure to reveal some claimed adverse effect.

Mr. DIXON. There is inherent in the common law, Mr. Congressman, a doctrine that is called the implied warranty doctrine. It has been there for ages.

Mr. JONAS. But you do not base your decisions on the common law.

Mr. DIXON. I base it on common law and on everything that would apply to the word "deception." The Congress said we shall proceed against deceptive practice. Now, you sell a product, and if it is dangerous and you imply it is safe, there it is. If I use it and it harms me, I have two remedies. I have one, certainly. I can sue for damages. And since January 11 when the Surgeon General's committee report was released, it put the cigarette industry in jeopardy, in my opinion, because the blue-ribbon committee said there is a causal relation between smoking and named these things, and then they called upon the competent agencies to take remedial action.

Mr. THOMAS. Will the gentleman yield?

Mr. JONAS. I am taking too much time.

Mr. THOMAS. Go ahead. It is very interesting.

Did you not have two district court decisions that threw out the cases?

Mr. DIXON. That is before the report was released. I pointed this out. I have pointed this out to Dr. Terry and various Congressmen and Senators during our hearings.

Mr. THOMAS. Do you think the report will affect the decisions of the court?

Mr. DIXON. I do not know, sir. You have to carry your burden if you are going to sue somebody on something, and you have to carry it in someway. All I know is after some 18 months, sir, the best scientific brains in the world were assembled to study this problem, with the tobacco industry having a veto.

Mr. THOMAS. What about the implied warranty you mentioned a while ago?

Mr. DIXON. The doctrine is there, sir, and it has not come up. I do not know when it is coming.

Mr. JONAS. Did not the *Liggett & Meyers* case hold that the cigarette advertising did not come within the purview of section 15?

Mr. DIXON. It said tobacco is not a drug, sir.

Mr. JONAS. That is what I said. Section 15 was enacted to take care of drug cases.

Mr. DIXON. It would not apply to cigarettes as a drug.

Mr. JONAS. It would not apply to cigarettes.

Mr. DIXON. It does not apply to cigarettes.

Mr. EVINS. You said earlier tobacco was not a drug.

Mr. DIXON. I said 15 would not apply.

Mr. JONAS. You quoted from section 15 for part of your authority, and you said Congress told you to do this.

Mr. DIXON. I said this is a further instruction of the Congress specifically on drugs and cosmetics. I said we had to proceed under section 5 against cigarettes. That is our basic authority, if we have any.

Mr. THOMAS. Gentlemen, this is very learned and very interesting.

Mr. EVINS. I think it is interesting to note the chairman of the committee is smoking a cigarette and the Chairman of the Commission is smoking a cigar.

Mr. DIXON. It is interesting to know I was smoking cigarettes till the day I read that report.

I have said this repeatedly to people—to be a Federal Trade Commissioner is a challenge, and this was a very hard problem for us to deal with. We dealt with it, I thought, fairly and honestly and forthrightly. I have said to the tobacco industry that if either the Federal Trade Commission or the Congress require cigarette manufacturers to put upon their package or carton in the advertising a suitable warning, it will do them a great favor.

## SUMMARY OF BUDGET ESTIMATE

Mr. THOMAS. Let's take a look at personnel compensation. It went from $10,308,000 in 1964 to $11,427,000 in 1965, and $11,582,000 is requested for 1966. I think you are seeking an increase of 18 jobs this year.

Mr. DIXON. Correct.

Mr. THOMAS. And the total "Other objects" brings your increase up to $317,000—$155,000 being for personnel.

How much did the pay act cost you this year? The total cost was $693,000. How much did you absorb?

Mr. GLENDENING. $93,000, about 13 percent.

Mr. THOMAS. You barely got under the wire.

Mr. JONAS. Would you clear this up for me? There is a little discrepancy between your figure and the figure in the committee print,

which says the appropriation last year was $12,800,000 and you say it was $13,400,000.

Mr. GLENDENING. The $600,000 supplemental for the pay raise makes the difference.

Mr. THOMAS. The salary cost actually was $11,427,000 and included in that figure is your base, your supplemental and everything?

Mr. GLENDENING. Yes, sir.

Mr. THOMAS. We will put the big table on page 9 in the record. It is a good breakdown and gives your personnel. You are seeking an increase of 18 in the bureaus and in all divisions. We will also insert pages 5 and 6.

(The pages follow:)

*Obligations by activities*

| | Actual, fiscal year 1964 | Allotment, fiscal year 1965 | Requested, fiscal year 1966 | Increase (+) or decrease (−), fiscal year 1966 |
|---|---|---|---|---|
| Antimonopoly: | | | | |
| Investigation and litigation | $5,508,000 | $6,512,000 | $6,694,000 | $182,000 |
| Economic and financial reports | 719,000 | 672,000 | 722,000 | 50,000 |
| Trade practice conferences, industry guides, and small business | 148,500 | 190,000 | 192,000 | 2,000 |
| Compliance investigations for Attorney General | 539,400 | 75,000 | ---------- | −75,000 |
| Deceptive practices: | | | | |
| Investigation and litigation | 3,006,800 | 3,489,000 | 3,554,000 | 65,000 |
| Trade practice conferences, industry guides, and small business | 297,000 | 377,000 | 434,000 | 57,000 |
| Textile and fur enforcement | 1,073,000 | 1,202,000 | 1,217,000 | 15,000 |
| Executive direction and management | 264,400 | 276,000 | 297,000 | 21,000 |
| Administration | 650,900 | 666,000 | 666,000 | ---------- |
| Total obligations | 12,207,000 | 13,459,000 | 13,776,000 | 317,000 |
| Unobligated balance lapsing | 7,750 | ---------- | ---------- | ---------- |
| Appropriation transfer to GSA | ---------- | 16,000 | ---------- | −16,000 |
| Appropriation | 12,214,750 | 13,475,000 | 13,776,000 | 201,000 |

*Object classification on new account basis*

| | | Actual, fiscal year 1964 | Allotment, fiscal year 1965 | Requested, fiscal year 1966 | Increase (+) or decrease (−) |
|---|---|---|---|---|---|
| 11 | Personnel compensation: | | | | |
| | Permanent positions | $10,252,000 | $11,397,000 | $11,542,000 | $145,000 |
| | Positions other than permanent | 8,000 | 4,000 | 4,000 | ---------- |
| | Other personnel compensation | 48,000 | 26,000 | 36,000 | 10,000 |
| | Total personnel compensation | 10,308,000 | 11,427,000 | 11,582,000 | 155,000 |
| 12 | Personnel benefits | 756,000 | 844,500 | 857,500 | 13,000 |
| 21 | Travel and transportation of persons | 436,000 | 486,000 | 486,000 | ---------- |
| 22 | Transportation of things | 7,000 | 8,000 | 8,000 | ---------- |
| 23 | Rents, communications and utility services: | | | | |
| | Rents | 90,000 | 102,000 | 76,000 | −26,000 |
| | Communications | 171,000 | 170,500 | 170,500 | ---------- |
| 24 | Printing and reproduction | 127,000 | 110,000 | 110,000 | ---------- |
| 25 | Other services | 66,000 | 50,000 | 55,000 | 5,000 |
| | Clinical testing | 10,000 | 61,000 | 61,000 | ---------- |
| | Stenographic reporting | 33,000 | 35,000 | 35,000 | ---------- |
| 26 | Supplies and materials | 131,000 | 150,000 | 160,000 | 10,000 |
| 31 | Equipment | 72,000 | 15,000 | 175,000 | 160,000 |
| | Total obligations | 12,207,000 | 13,459,000 | 13,776,000 | 317,000 |
| | Unobligated balance lapsing | 7,750 | ---------- | ---------- | ---------- |
| | Appropriation transfer to GSA | ---------- | 16,000 | ---------- | −16,000 |
| | Total appropriation | 12,214,750 | 13,475,000 | 13,776,000 | 301,000 |

*Comparative summary—Salaries and expenses, fiscal year 1965 with requested funds 1966*

| | Allotment, fiscal year 1965 | | | | Funds requested, fiscal year 1966 | | | | Increase requested, fiscal year 1966 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Positions | Personal services | Travel and other | Total | Positions | Personal services | Travel and other | Total | Positions | Personal services | Travel and other | Total |
| Commissioners' offices | 39 | $492,000 | $8,000 | $500,000 | 39 | $492,000 | $8,000 | $500,000 | | | | |
| Office of Program Review | 3 | 43,000 | | 43,000 | 3 | 43,000 | | 43,000 | | | | |
| Office of Executive Director | 5 | 64,000 | 2,000 | 66,000 | 5 | 64,000 | 2,000 | 66,000 | | | | |
| Office of Administration | 88 | 565,000 | 1,000 | 566,000 | 88 | 565,000 | 1,000 | 566,000 | | | | |
| Office of Comptroller | 33 | 233,000 | 52,500 | 285,500 | 33 | 233,000 | 26,500 | 259,500 | | | −26,000 | −26,000 |
| Office of Secretary | 49 | 318,000 | 500 | 318,500 | 49 | 318,000 | 500 | 318,500 | | | | |
| Office of General Counsel | 62 | 699,000 | 9,000 | 708,000 | 64 | 720,000 | 9,000 | 729,000 | 2 | 21,000 | | 21,000 |
| Hearing examiners | 37 | 515,000 | 20,000 | 535,000 | 37 | 515,000 | 20,000 | 535,000 | | | | |
| Bureau of Restraint of Trade | 205 | 2,151,000 | 122,000 | 2,273,000 | 210 | 2,193,000 | 122,000 | 2,315,000 | 5 | 42,000 | | 42,000 |
| Bureau of Deceptive Practices | 128 | 1,407,000 | 99,000 | 1,506,000 | 128 | 1,407,000 | 99,000 | 1,506,000 | | | | |
| Bureau of Textiles and Furs | 96 | 866,000 | 56,000 | 922,000 | 96 | 866,000 | 56,000 | 922,000 | | | | |
| Bureau of Field Operations | 262 | 2,485,000 | 270,000 | 2,755,000 | 262 | 2,485,000 | 270,000 | 2,755,000 | | | | |
| Bureau of Industry Guidance | 51 | 583,000 | 2,000 | 585,000 | 57 | 634,000 | 2,000 | 636,000 | 6 | 51,000 | | 51,000 |
| Bureau of Economics | 117 | 995,000 | 11,500 | 1,006,500 | 122 | 1,036,000 | 11,500 | 1,047,500 | 5 | 41,000 | | 41,000 |
| General operating expenses (not included above) | | | 1,389,500 | 1,389,500 | | | 1,577,500 | 1,577,500 | | | 188,000 | 188,000 |
| Total | 1,175 | 11,416,000 | 2,043,000 | 13,459,000 | 1,193 | 11,571,000 | 2,205,000 | 13,776,000 | 18 | 155,000 | 162,000 | 317,000 |
| Appropriation transfer to GSA | | | | 16,000 | | | | | | | | −16,000 |
| Total appropriation | | | | 13,475,000 | | | | 13,776,000 | | | | 301,000 |

GRADES AND POSITIONS

Mr. THOMAS. You have some pretty good ratings over there now. You have two 18's and eight 17's. Who are the 18's?

Mr. DIXON. The General Counsel and the Executive Director. Mr. Wheelock is the Executive Director, and has been for years.

Mr. THOMAS. You have 39 GS–16's, 120 GS–15's, 88 GS–14's, 85 GS–13's, 120 GS–12's. It gives you an average overall of 9.2.

TEN-YEAR INCREASE IN JOBS

I note from 1956 through 1966 you lacked about 88 jobs of doubling your employment.

We will insert in the record at this point the table showing the jobs over the last 10 years. You go from 639 in 1956 to a request for 1,193 in 1966. That is a pretty good expansion. eBtter than 50 percent of it is by the very genial chairman here in the last 3 years. When he moves in, he moves in with both feet.

Mr. DIXON. I told you then I thought we needed 1,500 people to start doing our job competently and equitably.

Mr. THOMAS. Look at the good rule you put into effect this year, and you are going to do a fine job on less personnel.

Mr. DIXON. It is getting us in trouble.

(The table referred to follows:)

*Federal Trade Commission—Jobs 1956–66*

| | | | |
|---|---|---|---|
| 1956 (actual) | 639 | 1962 (actual) | 1,072 |
| 1957 (actual) | 761 | 1963 (actual) | 1,178 |
| 1958 (actual) | 746 | 1964 (actual) | 1,178 |
| 1959 (actual) | 756 | **1965 (programed)** | 1,175 |
| 1960 (actual) | 754 | 1966 (estimated) | 1,193 |
| 1961 (actual) | 838 | | |

WORKLOAD

Mr. THOMAS. We will put in the table on page 12, which shows the workload. Pending in 1964 you had at the first of the year 3,064; in 1963 you had 2,872; in 1962 you had 2,743; in 1961 you had 2,142; and in 1960 you had 1,336. The workload has been increasing, there is no question about it, and this is a very interesting table.

(The page follows:)

*Investigation caseload, fiscal years 1960 through 1964*

| | 1964 | 1963 | 1962 | 1961 | 1960 |
|---|---|---|---|---|---|
| Pending 1st of year, total | 3,064 | 2,872 | 2,743 | 2,442 | 1,336 |
| Restraint of trade | 1,531 | 1,513 | 1,484 | 931 | 450 |
| Deceptive practices | 1,533 | 1,359 | 1,259 | 1,211 | 886 |
| Initiated and reopened, total | 1,401 | 1,504 | 1,795 | 2,024 | 1,946 |
| Restraint of trade | 353 | 364 | 741 | 884 | 760 |
| Deceptive practices | 1,048 | 1,140 | 1,054 | 1,140 | 1,186 |
| Completed, total | 1,557 | 1,312 | 1,677 | 1,427 | 1,140 |
| Restraint of trade | 467 | 346 | 709 | 336 | 279 |
| Deceptive practices | 1,090 | 966 | 968 | 1,091 | 861 |
| Pending end of year, total | 2,908 | 3,064 | 2,872 | 2,743 | 2,142 |
| Restraint of trade | 1,417 | 1,531 | 1,513 | 1,484 | 931 |
| Deceptive practices | 1,491 | 1,533 | 1,359 | 1,259 | 1,211 |

*Petitions to review filed in courts*

| Fiscal year | Cases filed | Cases disposed of | Cases pending end of year |
|---|---|---|---|
| 1960 | 24 | 18 | 31 |
| 1961 | 31 | 22 | 40 |
| 1962 | 27 | 21 | 46 |
| 1963 | 41 | 27 | 60 |
| 1964 | 51 | 31 | 80 |

DETAIL OF HEARING EXAMINERS TO OTHER AGENCIES

Mr. JONAS. Mr. Chairman, I heard you had so many hearing examiners you are lending them out to other agencies. Is that correct?

Mr. DIXON. That is correct, basically, in this respect: When I came to the Commission we inherited on the formal dockets three-hundred-some-odd cases, and some of them were up to 8 or 9 years. I think we had then 14 or 15 hearing examiners, and we asked for the money to hire up to 10. We were given the money and I hired up to 22. In the last year we have been doing our very dead level best to work out from under that load. Then, as we turn to these new and more radical procedures of advice and guidance and rules rather than suing everybody that comes down the street, our workload of the hearing examiners begins to free up. I examined this and others began to examine this, and I went to the Civil Service Commission and said, "I think we should reassign three of my hearing examiners." And we have three hearing examiners on loan right now to the NLRB and they are being paid by them until some determination is made as to where they will go for sure.

Mr. JONAS. You are not asking to reduce your positions.

Mr. DIXON. Because on those positions right now a final transfer has not been made. They are there, sir, doing the work for them on a reimbursable basis.

Mr. JONAS. I know, but if you do not need them, why are they not in the NLRB budget instead of yours? You have 37.

Mr. DIXON. Hearing examiners total only 21; the balance of 16 is clerical staff. I do not know exactly what is going to happen. I anticipate this kind of a cycle, Mr. Jonas: As you turn to advising and guiding industry, you must stop and draw a line and look ahead, and we have been engaged in this for 2 or 3 years. As we come into compliance and then anyone violates, we have no choice but to sue. I would anticipate within the next year or two our normal load will start to back up.

Mr. THOMAS. Can you not give him a direct answer to his question? Why do you have so many when you are loaning them out? You can give a direct answer.

Mr. DIXON. The direct answer is that the budget had already been prepared and sent to you when I decided we should make three available; we discussed it at the Commission level, and this was the first time in the history of the hearing examiner corps that anybody would dare-say they had more than they wanted.

Mr. JONAS. It is the first time I ever heard of it happening, and it gave me a little concern that you have so many hearing examiners

that you lend them around to other agencies of the Government. You did not tell us last year you did not need that many hearing examiners.

Mr. DIXON. At the end of last year I could have used them right on down. I was looking ahead. Each one of those men could have stayed busy right on, but his workload was coming this way [indicating].

Mr. JONAS. How long have they been on loan?

Mr. DIXON. Two months. We just worked this out.

Mr. JONAS. Is that the first that have been loaned out?

Mr. DIXON. That is right.

Mr. THOMAS. That is not too bad.

Mr. JONAS. Have you got any other personnel loaned out to other agencies?

Mr. DIXON. No, sir.

Mr. THOMAS. The summary, which makes very interesting reading, has already been put in the record.

NUMBER OF ATTORNEYS

How many lawyers do you have?

Mr. DIXON. 450, roughly, throughout the agency, sir.

DUTIES OF ATTORNEYS

Mr. JONAS. Right at that point, Mr. Chairman, I think he has lawyers assigned to investigatory work——

Mr. THOMAS. That is right.

Mr. JONAS (continuing). And they are not doing the work they were hired to do. I would like to have a little table for the record showing what use you are making of the lawyers.

Mr. DIXON. We can give it to you in detail. I can give it to you in summary now. I do not have any lawyer that is not doing a lawyer's work.

Mr. THOMAS. You cover it pretty well in the narrative, but go ahead and give a summary.

Mr. MINSHALL. How many trial attorneys do you have?

Mr. DIXON. When we talk about trial attorneys in here, I have three enforcement bureaus, major ones, Deceptive Practice, Restraint of Trade, and Fur and Textiles. These enforce various and sundry laws. In Restraint of Trade I have a division of about 40 lawyers under one division of General Restraint of Trade, Price Fixing, Allocation of Territories. Talking about an abundance of lawyers, these men are supposed to be covering $350 billion worth of gross national product.

Then I have a group in the Division of Mergers. There we have about 40 trial lawyers we are talking about, and then a Division of Price Discrimination or Discriminations, that cover sections 2 and 3 of the Clayton Act and 2–A and 2–F here.

Then I have a Division of Compliance that has lawyers, and they are taking care of all of the active cases outstanding where they must get compliance in 60 days, as well as maintain compliance with all of the outstanding orders.

Mr. THOMAS. Now answer the question directly as to the investigative as distinguished from courthouse work.

Mr. DIXON. I have 159 lawyers scattered in 11 field offices. Now, these are attorneys. I have been trying to get away from the word "investigators." Each one of these attorneys is serving any one of these bureaus that is building a complaint to see if we have reason to believe the law was violated.

Mr. JONAS. What they are doing is investigating, is it not?

Mr. DIXON. What they are is investigating, but they are sharing in the trial, too. If the issue is joined and the case is tried in that area where it is investigated, that young man participates in the trial. We are filling that young man out to get him trained better. That is what we are doing.

Mr. MINSHALL. What is their workload or backlog?

Mr. DIXON. Right now the New York field office is about 1 year behind time. That is the largest office.

Mr. MINSHALL. Is that about par for the course?

Mr. DIXON. No, sir; they are in worse shape than anybody.

Mr. JONAS. Your court work is going down and you are assigning lawyers to jobs that could be filled by people without legal training. Is not your court work going down?

Mr. DIXON. If you mean formal trial——

Mr. JONAS. Court work.

Mr. DIXON. We call that trial, but it takes a better lawyer to give a man advice that it does to go over here and build a record. These men cannot just be divided up in little chores; you have to have broad-gage men or else I would have to have a commission about three times the size I have if you are going to take one from here and here. In fact, our best lawyers are sitting down there giving advice, and I am making my trial lawyers fit into this advice so I do not have to duplicate it. When I get to the court work, as I understand the constitutional court, my General Counsel has an appellate division here. When we are taken into the courts, this group appears and defends us.

Mr. THOMAS. About 40 percent of the personnel are lawyers.

## COMMISSIONERS AND COMMISSIONERS' OFFICES

Let's take a look at the Commissioners and Commissioners' offices. We will put page 17 and page 18 in the record.

(The pages follow:)

*Commissioners and Commissioners' offices*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Commissioners | 5 | $129,000 | 5 | $129,000 | ---------- | ---------- |
| Commissioners' offices | 34 | 363,000 | 34 | 363,000 | ---------- | ---------- |
| Total personal services | 39 | 492,000 | 39 | 492,000 | ---------- | ---------- |
| Travel | ---------- | 8,000 | ---------- | 8,000 | ---------- | ---------- |
| Total | 39 | 500,000 | 39 | 500,000 | ---------- | ---------- |

Funds requested provide the salaries and expenses of the Commissioners and the staffs in their offices. In fiscal year 1965, 34 positions are allocated to offices of Commissioners consisting of administrative assistants, stenographers, attorney advisers, and messengers.

No increase in funds is requested for this office in fiscal year 1966.

*Personnel as of Dec. 31, 1964*

| | Total | Executive | Attorney | Secretarial and clerical |
|---|---|---|---|---|
| Commissioners | 5 | 5 | | |
| GS-17 | 1 | | 1 | |
| GS-15 | 8 | | 8 | |
| GS-14 | 2 | | 2 | |
| GS-13 | 2 | | 2 | |
| GS-12 | 2 | | 2 | |
| GS-10 | 1 | | | 1 |
| GS-9 | 4 | | | 4 |
| GS-8 | 2 | | | 2 |
| GS-7 and below | 12 | | | 12 |
| Total | 39 | 5 | 15 | 19 |

NOTE.—Total annual salaries, $506,000.

Mr. THOMAS. You give us the green sheets after each division, which is always very helpful.

You have five Commissioners, one grade 17, eight 15's, two 14's, two 13's, two 12's, one 10, four 9's, two 8's and twelve 7 and below.

You have 39 in the Commissioners' offices, including the 5 Commissioners.

OFFICE OF PROGRAM REVIEW

Next is the Office of Program Review. Now we are getting into some nice distinctions here, and it looks like to me you are a little top heavy in two or three classifications. We will put page 20 in the record.

(The page follows:)

## OFFICE OF PROGRAM REVIEW

The Program Review Office was created in order to develop the institutional means of determining how and where the Commission, within the wide spectrum of its jurisdiction, can most effectively commit its limited resources to maximize its impact on monopolistic and deceptive practices. The mission of the Office is to help the Commission weigh priorities and determine annual programs. The Office reports directly to the Commission.

The most rapidly developing function of the Program Review Office is the identification, principally in cooperation with the Division of Industry Analysis (Bureau of Economics), of significant "trouble spots" in the economy and the recommendation to the Commission of enforcement programs. Beginning in fiscal year 1964 and continuing into fiscal 1965, a program was being carried out for the use of industry concentration as a criterion in the screening of applications for complaint and in the selection of industries for enforcement programs.

Also evolving, with the aid of other Commission units, is a program for identifying and articulating other standards or criteria for initiating and evaluating Commission actions. Further, the Office is making progress in the exercise of its function of advising the Commission concerning the utilization of the Commission's resources according to major programs and purposes.

No increase in staff is requested for fiscal year 1966.

*Personnel as of Dec. 31, 1964*

| | Total | Executive | Economist | Stenographic and clerical |
|---|---|---|---|---|
| Professional: | | | | |
| GS-16 | 1 | 1 | | |
| GS-14 | 1 | | 1 | |
| Stenographic, clerical, etc | 1 | | | 1 |
| Total | 3 | 1 | 1 | 1 |

NOTE.—Total annual salaries, $43,045.

Mr. THOMAS. I will read the first paragraph on page 20:

The Program Review Office was created in order to develop the institutional means of determining how and where the Commission, within the wide spectrum of its jurisdiction, can most effectively commit its limited resources to maximize its impact on monopolistic and deceptive practices. The mission of the Office is to help the Commission weigh priorities and determine annual programs. The Office reports directly to the Commission.

Well, those are choice words, but I do not see much difference between that and your Executive Director.

## OFFICE OF THE EXECUTIVE DIRECTOR

We will put pages 21 and 22 in the record.
(The pages follow:)

*Office of the Executive Director*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of Executive Director | 2 | $34,000 | 2 | $34,000 | | |
| Office of Information | 3 | 30,000 | 3 | 30,000 | | |
| Total personal services | 5 | 64,000 | 5 | 64,000 | | |
| Travel | | 2,000 | | 2,000 | | |
| Total | 5 | 66,000 | 5 | 66,000 | | |

The Executive Director, as the Commission's chief operating official, manages the Federal Trade Commission's activities to achieve effective and economical operations. He has responsibility for operational and administrative direction of all the Commission's bureaus and field offices.

Since 1960 the Office of Information has reported to the Executive Director and its overall policy, advisory and educational functions have been given additional emphasis.

No increase is requested for this office for the fiscal year 1966.

*Personnel as of Dec. 31, 1964*

| | Total | Executive, administrative, and other professional | Stenographic and clerical |
|---|---|---|---|
| Professional: | | | |
| GS-18 | 1 | 1 | |
| GS-15 | 1 | 1 | |
| GS-13 | 1 | 1 | |
| GS-12 | 1 | 1 | |
| GS-9 | 1 | 1 | |
| Stenographic, clerical, etc. | 1 | | 1 |
| Total | 6 | 5 | 1 |

NOTE.—Total annual salaries, $84,355.

Mr. THOMAS (reading):

The Executive Director, as the Commission's chief operating official, manages the Federal Trade Commission's activities to achieve effective and economical operations.

He only has six people in there, but they are high powered.

Mr. DIXON. I can answer that this way: In the Reorganization Act, No. 8 of the Federal Trade Commission, there was created a permanent Chairman. I am the permanent Chairman responsible for carrying out the policies of this Commission in which the other four share equally. Down through the Executive Director is where, after policy is made, that I try to see it is carried out. We created this program review officer so he could share with each of the five Commissioners, not with my Executive Director, in trying to do something about programing. Now, in my Commission——

Mr. THOMAS. The Commission does not delegate authority to one man to do all of that. That is your job and the job of the five Commissioners.

Mr. DIXON. That is planning.

Mr. THOMAS. Why do you need all of them? You have 39 people in the Commissioners' offices, and here you have a half dozen more. The first thing you are going to know, you will be loaning out some of these high-powered people.

Mr. DIXON. I will never be accused of that, sir. I could have held those three hearing examiners and probably ridden right through another year, but I would rather let them go this year and transfer them back in another year when I can use them.

Mr. THOMAS. Maybe that is good judgment. A bird in the hand is worth several in the bush, is it not?

## OFFICE OF ADMINISTRATION

We will put pages 23 through 26 in the record.

(The pages follow:)

*Office of Administration*

| | Allotment fiscal year 1965 | | Requested fiscal year 1966 | | Increase fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Position | Amount | Position | Amount | Position | Amount |
| Office of Director | 2 | $24,000 | 2 | $24,000 | | |
| Management staff | 10 | 90,000 | 10 | 90,000 | | |
| Division of personnel | 16 | 108,000 | 16 | 108,000 | | |
| Division of administrative services | 60 | 343,000 | 60 | 343,000 | | |
| Total personal services | 88 | 565,000 | 88 | 565,000 | | |
| Travel | | 1,000 | | 1,000 | | |
| Total | 88 | 566,000 | 88 | 566,000 | | |

*Personnel as of Dec. 31, 1964*

| | Total | Executive, administrative and other professional | Stenographic and clerical | Wage board |
|---|---|---|---|---|
| Professional: | | | | |
| GS–15 | 2 | 2 | | |
| GS–14 | 1 | 1 | | |
| GS–13 | 1 | 1 | | |
| GS–12 | 7 | 7 | | |
| GS–11 | 2 | 2 | | |
| GS–9 | 2 | 2 | | |
| GS–7 | 6 | 6 | | |
| Stenographic, clerical, etc | 69 | | 49 | 20 |
| Total | 90 | 21 | 49 | 20 |

NOTE.—Total annual salaries, $580,168.

OFFICE OF ADMINISTRATION

The Office of Administration gives policy guidance and general supervision to the management and organization programs, administrative services activities and personnel programs of the Federal Trade Commission. Plans for effective organization and administration of the Commission's management programs. Formulates and puts into effect basic administrative policies. Develops long-range plans relating to needs for personnel, space, supplies, equipment, etc. The Office of Administration includes the management staff, the Division of Personnel and the Division of Administrative Services.

MANAGEMENT STAFF

The management staff in the Office of Administration is responsible for conducting organizational and procedural surveys, preparing periodic and special workload reports on the substantive programs of the Commission and coordinating and issuing procedural and policy statements in the form of an Administrative Manual and in Administrative Bulletins.

Management interns are assigned to the management staff for training purposes initially and are detailed during their training period to administrative positions throughout the Federal Trade Commission.

DIVISION OF PERSONNEL

The Division of Personnel initiates, develops, and administers personnel policies and programs in the spheres of recruitment, appointment, and placement, training, position classification, performance ratings, employee relations, welfare, and health and recreation.

An orientation pool for stenographers and typists predominately consisting of employees initially entering on duty with the Commission has been established

under the Division of Personnel. This group expedites overflow work from the substantive bureaus and is used for relief assignments to Commissioners' offices, the Office of the Executive Director, and other top offices throughout the Commission.

DIVISION OF ADMINISTRATIVE SERVICES

The Division of Administrative Services is a central administrative unit established for the purpose of publishing the material made public under section 6(f) of the Federal Trade Commission Act; for the procurement of supplies and equipment; and for supplying other services essential to the functioning of the Federal Trade Commission. The Commission's library is also located in this Division.

The Publication Branch of the Division of Administrative Services clears for format, economy of reproduction, and distribution, all material printed or duplicated by the Federal Trade Commission within the limitations of the laws and regulations as applicable thereto. This Branch also operates a class A printing plant established under the provisions of the regulations by the Joint Committee on Printing of the U.S. Congress; and provides photographic, photostat, and drafting services. These services are performed by the following sections:

The Stenographic and Composition Section edits for format and typography, material to be printed by the Government Printing Office or printed or duplicated in the Federal Trade Commission Printing Plant and provides stenographic services when bureau pools are overburdened. During fiscal year 1964 over 6,000 pages of copy were produced by this activity for lithographic reproduction in the printing plant.

The Photographic Section provides the Commission with photographic, copyflo, and photostat services for use in connection with the Commission's legal proceedings and economic reports. Production reports for this section show that over 604,600 photographic and photostat and copyflo prints were produced during fiscal year 1964.

Functions of the printing plant are the printing of the Commission's orders, press releases, legal and economic reports, speeches, trade practice rules, pamphlets, forms, letters, etc. Production during the fiscal year 1964 was more than 21,194,896 pages.

The library consists of a specialized collection of more than 125,000 bound volumes and extensive vertical files containing approximately 50,000 legislative documents and statistical publications organized for easy accessibility. In addition, there are several thousand current issues of legal, economic, and technical periodicals which collect annually from the inflow of more than 250 titles on a daily, weekly, monthly, or other frequency basis. Approximately 25,000 publications were received during the year, and of these more than 15,000 were integrated into the existing collections. These, too, become volumes at the end of each year when single numbers of selected titles are collected and bound. The demand for reference and research increased substantially during fiscal year 1964, as did also the use of books and materials. Approximately 75,000 reference questions were answered during the year and more than 100,000 books and other materials were loaned outside the library. Numerous requests were received from public sources for bibliographies compiled in the library.

The Procurement and Services Branch is responsible for providing services and controls in the necessary housekeeping functions as follows: procurement and maintenance of supplies, equipment, furniture, and so forth; space control and building maintenance; communications including mail, telephone and telegraph, and messenger.

No increase is requested for this office for the fiscal year 1966.

Mr. THOMAS. Your language is not too clear [reading]:

The Office of Administration gives policy guidance and general supervision to the management and organization programs, administrative services activities, and personnel programs of the Federal Trade Commission.

So many words. You have three of four organizations that ought to be combined, it looks like to me.

OFFICE OF THE COMPTROLLER

You have a total of 33 people in the Office of the Comptroller. Who is the Comptroller this year?

Mr. DIXON. Mr. Glendening.

Mr. THOMAS. We will put in the record pages 27, 29, 30, and 32, and 33.

(The pages follow:)

*Office of the Comptroller*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Decrease, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Comptroller | 4 | $51,000 | 4 | $51,000 | ---- | ---- |
| Division of Finance | 17 | 108,000 | 17 | 108,000 | ---- | ---- |
| Division of Data Processing | 12 | 74,000 | 12 | 74,000 | ---- | ---- |
| Total, personal services | 33 | 233,000 | 33 | 233,000 | ---- | ---- |
| Travel | ---- | 500 | ---- | 500 | ---- | ---- |
| Other expenses | ---- | 52,000 | ---- | 26,000 | ---- | −$26,000 |
| Total | 33 | 285,500 | 33 | 259,500 | ---- | −26,000 |

The Office of the Comptroller includes the Division of Finance and the Division of Data Processing, thus placing all budget, fiscal, and data processing work in one office.

This Office performs all of the Commission's financial management functions, including formulation of budget estimates, apportionment, allocations and control of funds, financial program planning, payroll and audit operations, maintenance of all fiscal records, preparation of financial statements, and compilation of required reports in accordance with current regulations.

The Comptroller, as chairman of the Commission's automatic data processing steering committee, serves as the principal adviser to the Commission and its operating bureaus on all aspects of the Commission's ADP programs and their applications.

The fiscal and payroll workload has become much more voluminous and complex because of an increasing number of agreements between States and the Treasury Department to withhold State income taxes for employees. The Office of the Comptroller has automated its payroll procedures in order to handle this workload burden and to provide a more efficient system of payroll accounting without increasing the staff.

No additional employees are requested in 1966.

DIVISION OF DATA PROCESSING

This Division is responsible for all data processing in the Commission. The Division processes and prepares data for the corporate financial reports program, compiles evidentiary data for use in law enforcement cases and economic data for the Commission's economic reports as well as payroll and fiscal data and operational management reports.

On October 1, 1963, a card-oriented Burroughs B-280 computer system was installed and turned over to the Commission. As a result, seven IBM calculating and accounting machines have been released as they were no longer required. The annual rental cost of the released machines amounted to $32,124.

The Commission originally proposed to purchase this computer in October 1964, but sufficient funds were not appropriated by Congress to effect the purchase; consequently, the request for funds to purchase is repeated in 1966. The purchase price of the computer on September 30, 1965, will be $100,825. An additional $74,000 is requested in 1966 for this purchase and the balance of $26,825 will become available through the reduction in rental cost.

Additional funds to purchase the computer are included in the request under the section dealing with equipment.

As set forth in the following schedules, this purchase will reflect a cumulative cash savings to the Government, starting in April 1968, amounting to $41,000 per year.

*Lease versus lease purchase—Burroughs B–200 computer system based upon purchase Oct. 1, 1965*

| | Costs by fiscal year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 |
| 1. Lease purchase basis, B–280 processor assuming purchase date of at end of 2d year after installation: | | | | | | | | | |
| (*a*) Purchase price | | | $100,825 | | | | | | |
| (*b*) Lease | $27,990 | $37,320 | | | | | | | |
| 3 months during 1966 | | | 9,330 | | | | | | |
| (*c*) Maintenance, cumulative | | | 3,510 | $8,424 | $13,416 | $18,408 | $23,634 | $28,938 | $34,242 |
| (*d*) Cumulative lease/purchase basis | 27,990 | 65,310 | 178,975 | 183,889 | 188,881 | 193,873 | 199,099 | 204,403 | 209,707 |
| 2. Lease basis, cumulative | 27,990 | 65,310 | 109,155 | 155,175 | 201,195 | 247,215 | 293,235 | 339,255 | 385,275 |
| 3. Purchase price exceeds lease | | | 69,820 | 28,714 | | | | | |
| 4. Lease basis exceeds purchase basis | | | | | 12,314 | 53,342 | 94,136 | 134,852 | 175,568 |

NOTE.—Savings of $41,000 per year will begin in March 1968, 2 years after purchase.

*Net equipment cost at time of purchase*

| | | |
|---|---|---|
| Burroughs B–200 series: | | |
| B–280 central processor | | $55,475 |
| B–124 card reader | | 15,200 |
| B–304 card punch | | 27,000 |
| B–321 line printer | | 49,800 |
| Gross cost | | 147,475 |
| Cost if purchased end of 2d year (Sept. 30, 1965): | | *Total* |
| Gross rental $3,835 month from Oct. 1, 1963 | | 92,040 |
| Less credit at $725 month | | 17,400 |
| Net cost | | 74,640 |
| Gross cost of equipment | | 147,475 |
| Less: | | |
| 65 percent of rental paid 1st year | $24,258 | |
| 60 percent of rental paid 2d year | 22,392 | |
| | | 46,650 |
| Net purchase price Sept. 30, 1965 | | 100,825 |
| Less savings on rental cost balance of year 1966 | | 26,000 |
| Net additional funds required | | 74,825 |

AUTOMATIC DATA PROCESSING

Mr. THOMAS (reading):

The Office of the Comptroller includes the Division of Finance and the Division of Data Processing, thus placing all budget, fiscal and data processing work in one office.

How many computers do you have?

Mr. GLENDENING. One very small computer.

Mr. THOMAS. What do you want this year for computers?

Mr. GLENDENING. I am asking for $74,000 to complete the purchase.

Mr. THOMAS (reading):

The purchase price of the computer on September 30, 1965, will be $100,825. An additional $74,000 is requested in 1966 for this purchase, and the balance of $26,825 will become available through the reduction in rental cost.

How many people do you have working in the computer field? You are buying the computer rather than renting it?

Mr. GLENDENING. I am hoping to; yes, sir. I now have five punch-card operators; I have a senior programer and three operators plus the chief of the Division.

Mr. THOMAS. What is going to be the function of the data processing unit? When did you first establish it?

Mr. GLENDENING. We have had machine processing for the past 15 to 17 years.

Mr. THOMAS. That has been for payroll, though.

Mr. GLENDENING. No, sir.

Mr. THOMAS. What has it been for?

Mr. GLENDENING. Until about 10 years ago it was used solely for the financial reports program. At the present time about three-fourths of the machine use is for financial reports, preparation of evidence in the investigation and trial of cases, and economic data. The remaining one-fourth is used for fiscal and management reports.

Mr. THOMAS. What are you going to use the new machine for? What will it do?

Mr. GLENDENING. It is doing the same thing that we have been doing over the years—cheaper, faster, and in greater volume than before. I now have converted fiscal records——

Mr. THOMAS. Your old machine will do that, will it not?

Mr. GLENDENING. The old machines were slow and more costly. The main advantage of this machine is speed. It is small—considered in the smallest class of computers.

Mr. THOMAS. What are you going to do with it? What other work besides the payroll?

Mr. DIXON. Let me give you a suggestion on that, Mr. Chairman.

Mr. THOMAS. Evidently, do you not save any personnel because you are asking for an increase of 18.

Mr. GLENDENING. No, sir. I am not asking for an increase. There are, however, material savings.

USE OF ADP EQUIPMENT

Mr. DIXON. We are beginning now to put on this machine, on cards. Mr. Chairman, every complaint and every matter that comes in, so that at any given moment, without having to laboriously run through informal and formal dockets, turning sheets manually, we will have operating information very quickly. That is the direction of further use.

Of course, we have the use of the quarterly financial report that we put out. All of that material goes through there. As wet get into large merger cases or large antitrust cases, we are using this machine more and more for evidentiary purposes.

Mr. THOMAS. How are you going to do that, now?

Let me read the language. It is pretty choice.

**This Division is responsible for all data processing in the Commission.**

You have not told us anything in that sentence.

**The Division processes and prepares data for the corporate financial reports program.**

You have been doing that for 15 years.

Mr. DIXON. Yes.

Mr. THOMAS. "Compiles evidentiary data for use in law enforcement cases." What do you mean by "compiles evidentiary data"?

Mr. DIXON. Let me tell you, in a merger case, if you have to spell out a region, or universe, or market, you are going to try to show there is going to be a tendency toward monopoly in "widget" sales, in what section and in what region are we talking about? We must locate this market, and we must in some way determine what increased share there would be if you merge with me. This is one of the most difficult areas of the law enforcement today, but where that is necessary it must be collected and processed in such a manner that it can be introduced as evidence.

Mr. JONAS. Will the gentleman yield?

Mr. THOMAS. Yes.

Mr. JONAS. I can see where this business is going to put us lawyers out of business. They are going to start practicing law by use of data processing.

Mr. DIXON. Mr. Jonas, I have heard a lot of people come out joshing me about data retrieval. Maybe you could "Sheppardize" on that. There is not any way they are going to be able to use that thing to take the place of a lawyer who is going to have to make the decisions. He can use one of these fancy machines to come up with figures but somebody has got to put them in the record.

Mr. THOMAS. Do you really need this machine? I get the impression you do not.

Mr. GLENDENING. We could not do at least two-thirds of the law enforcement work we are doing for operating bureaus if we did not have this type of machine.

For example, in one case that we completed a short time ago where we made some studies for the operating bureaus, there was a basic deck of some 50,000 cards to be sorted and handled some 30 or 40 different times, which meant we were handling over a million cards or a million items on a one-pass basis. At the present time we are doing a special job for the Enforcement Division, a pilot study, involving 35,000 invoices. We could not do these things by hand or on slow machines. The Enforcement Division could not get this type of evidence.

Mr. THOMAS. I do not see how you are going to use a machine on evidence. I have tried a good many lawsuits, and it is not clear to me how you are going to do this.

Mr. GLENDENING. These are tabulations and manipulations of basic data from invoices, from surveys of market, and other data in order to substantiate the charges in merger cases.

Mr. THOMAS. Where do you acquire the information that is fed into the machine?

Mr. GLENDENING. The professional staff gathers the material during investigation and by subpenas, then it is translated into punchcards, processed on the machines, and comes out in the form requested by the professional staff for use in the presentation of their case.

Mr. DIXON. Once you get it on the card you can get all kinds of answers, Mr. Chairman. I do not understand all of these things, but once you are smart enough to put it in you can get a lot of quick answers back out.

EQUIPMENT RENTAL

Mr. EVINS. How long have you been using rented machines?

Mr. GLENDENING. **The last 19 years.**

Mr. EVINS. How much has it cost in the way of rentals?

Mr. GLENDENING. The computer was just installed 2 years ago.

Mr. EVINS. I mean the total rental payments, all together.

Mr. GLENDENING. The machine rentals over the years?

Mr. EVINS. Yes.

Mr. GLENDENING. Well over half a million dollars.

Mr. THOMAS. Where do you get that figure?

Mr. GLENDENING. I am figuring the machine rental costs have averaged anywhere from $30,000 to $50,000 for 19 years.

Mr. JONAS. This says $32,124. These are the ones you have given up?

Mr. GLENDENING. That is correct but that reflects only a 1-year rental cost. We still have more equipment on rental besides the computer. You have to have peripheral equipment such as card sorters,

card punches, and other equipment getting them material ready to put into the high-speed machine.

Mr. DIXON. I think, frankly, we have the right machine as far as I can determine, because, after we went into this process, we were subjected to an afterreview by the Budget Bureau, and we then had to go out and get an expert group to evaluate whether or not we had the proper type machine for our work and anything we could ever project it for. They finally decided we had made the right decision. I think even what we have is rather simple in comparison to some of these other machines that have tremendous capacities.

SAVINGS DUE TO PURCHASE OF ADP EQUIPMENT

Mr. GLENDENING. The purchase of the machine will save the Government at the rate of $41,000 a year, 2 years after purchase. If I did not have the computer, which is now costing about $38,000 a year, and instead of paying a total of $56,000 a year for machine costs, if I was still operating the slow card machines, I would be paying more than $75,000 a year in rental plus about four to five more people to operate additional equipment.

Mr. JONAS. You claim this saving comes about by buying it instead of paying rent?

Mr. GLENDENING. Yes, sir.

ADP EFFECT ON PERSONNEL REQUIREMENTS

Mr. JONAS. You do not claim it will have any savings in reduced personnel?

Mr. GLENDENING. Yes, sir; I do.

Mr. JONAS. Where is that reflected in the budget?

Mr. GLENDENING. It is not specifically spelled out here.

Mr. JONAS. I could not find it.

Mr. GLENDENING. Not to that extent.

Mr. JONAS. How many people do you think you can eliminate if you put it in?

Mr. GLENDENING. It will eliminate the need for hiring a minimum of six additional people.

Mr. DIXON. I want to get this straight. He is talking about six people he does not have now.

Mr. GLENDENING. I am talking about six I would have to have if I did not have this, plus $25,000 a year more rental.

Mr. DIXON. You have long memories. When I come next year you will say where are the six people.

Mr. THOMAS. I thought he meant this year.

OFFICE OF THE SECRETARY

Let's take a look at the Office of the Secretary. You have 49 people in 1965 and it remains at 49. The other items are the same. You have division on division. Look at the personnel sheet.

We will put pages 34, 35, and 36 in the record.

(The pages follow:)

*Office of the Secretary*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Secretary | 12 | $100,000 | 12 | $100,000 | | |
| Legal and public records | 37 | 218,000 | 37 | 218,000 | | |
| Total, personal services | 49 | 318,000 | 49 | 318,000 | | |
| Travel | | 500 | | 500 | | |
| Total | 49 | 318,500 | 49 | 318,500 | | |

*Personnel as of Dec. 31, 1964*

| | Total | Executive, administrative, and other professional | stenographic and clerical |
|---|---|---|---|
| Professional: | | | |
| GS–16 | 1 | 1 | |
| GS–13 | 2 | 2 | |
| GS–11 | 1 | 1 | |
| GS–9 | 2 | 2 | |
| Stenographic, clerical, etc. | 41 | | 41 |
| Totals | 47 | 6 | 41 |

NOTE.—Total annual salaries, $306,635.

The Secretary and his immediate Office receive and handle mail on all phases of the Commission's work. He signs all orders and certain other official papers. He also is responsible for liaison with the Congress and Government agencies and for decisions on informal cases not submitted to the Commission.

The assistant secretary for minutes takes the minutes of, and records the executive meetings of the Commission, prepares directives for the signature of the Secretary and keeps the docket of pending matters before the Commission.

LEGAL AND PUBLIC RECORDS

The Division of Legal and Public Records embraces the formal docket, informal docket, correspondence, public reference and distribution sections.

The formal and informal docket sections are responsible for the establishment, management, safety, completeness and accuracy, uses and retirement of the legal and related records of the Commission.

The correspondence section receives incoming mail, opens, date stamps, establishes index and tickler when appropriate, conducts history search and forwards letters to proper office for action.

The public reference section furnishes information and assistance to the public, and to the staff of the Commission in relation to public, legal and court proceedings and in matters of related procedure. The section is responsible for the custody, location, safety, conditions, etc., of dockets, files, exhibits, etc.

The distribution section controls the supply and distribution of all publications issued by the Commission, such as economic reports, annual reports, trade practice rules, etc.

No increase in funds is requested for fiscal year 1966.

Mr. THOMAS (reading):

The Secretary and his immediate Office receive and handle mail on all phases of the Commission's work. He signs all orders and certain other official papers. He also is responsible for liaison with the Congress—

what does that mean?—

and Government agencies and for decisions on informal cases not submitted to the Commission.

That means he is going to publish the decisions, he is not going to make them?

Mr. DIXON. That is right. He is the clerk.

Mr. GLENDENING. The court clerk.

## OFFICE OF THE GENERAL COUNSEL

Mr. THOMAS. I see the General Counsel, Mr. Henderson, wants two additional people. What do you do with the rest of the lawyers over there? Out of the 450 throughout the Commission you only have 62 in your office.

Mr. HENDERSON. That is the total, Mr. Chairman.

Mr. THOMAS. We will put pages 37 and 38 in the record.

(The pages follow:)

*Office of the General Counsel*

| | Allotment, fisca lyear 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of General Counsel | 11 | $116,000 | 13 | $137,000 | 2 | $21,000 |
| Division of Appeals | 38 | 410,000 | 38 | 410,000 | | |
| Division of Consent Orders | 7 | 99,000 | 7 | 99,000 | | |
| Division of Legislation | 4 | 48,000 | 4 | 48,000 | | |
| Division of Export Trade | 2 | 26,000 | 2 | 26,000 | | |
| Total personal services | 62 | 699,000 | 64 | 720,000 | 2 | 21,000 |
| Travel | | 9,000 | | 9,000 | | |
| Total | 62 | 708,000 | 64 | 729,000 | 2 | 21,000 |

*Personnel as of Dec. 31, 1964*

| | Total | Attorneys | Other professional | Stenographic and clerical |
|---|---|---|---|---|
| Professional: | | | | |
| GS-18 | 1 | 1 | | |
| GS-16 | 3 | 3 | | |
| GS-15 | 16 | 16 | | |
| GS-14 | 5 | 5 | | |
| GS-13 | 2 | 2 | | |
| GS-12 | 4 | 4 | | |
| GS-11 | 3 | 3 | | |
| GS-9 | 1 | | 1 | |
| Stenographic, clerical, etc | 27 | | | 27 |
| Total | 62 | 34 | 1 | 27 |

NOTE.—Total annual salaries, $698,431.

Mr. THOMAS. One 18, three 16's, sixteen 15's, five 14's, two 13's, four 12's. He is not undergraded, I see.

Mr. DIXON. May I talk about the increase requested? I would not do this until I came through this committee.

Mr. THOMAS. You do not mean the chief counsel wants to give them up?

Mr. DIXON. No, he wants two more. On page C of the summary statement there is a paragraph I would have read that precipitated this.

I said:

Another new step toward expanding the FTC's guidance role is planned for fiscal 1966, with the creation in the General Counsel's office of Federal-State cooperation. It will bring about a long-needed improvement in communications between the States and the Federal Government on how better to deal with antitrust, antideceptive practice, and consumer protection problems. It also will maintain a central record system pertaining to migratory trade law violators. In addition, a program to advise State officers of FTC's law enforcement techniques will be developed. For the creation of this office $21,000 is requested to provide a staff of two.

Mr. THOMAS. You have lawyers scattered out all over the country. Where is the list of offices?

Mr. DIXON. We have 11.

Mr. THOMAS. Where are they located?

Mr. DIXON. I can name them very quickly.

Mr. THOMAS. Where are they in the book?

Mr. DIXON. Here they are summarized by field operation on page 112. Washington, New York, Boston, Chicago, Cleveland, Atlanta. Kansas City, New Orleans, San Francisco, Seattle, Los Angeles.

I talked to the Association of State Attorneys General the other day, and they come here regularly at least once a year. Commissioner Reilly used to be their executive officer. We talked about this after he came, and he strongly recommended this, and I was very happy to go along with, it but I urged not to just go ahead and do it but to put it in our budget and talk about it. Many of the complaints we get are questionable, certainly in the borderline, and are clearly not a matter of Federal jurisdiction. As a matter of fact, we just refer them to the State attorney general. Some of the States have model Federal Trade Commission acts, some of the States have no acts, some of the States have laws similar to ours, but they can only be used against fraud.

Some of the States, like New York, Texas, and Wisconsin, Washington, California, have a very fine antitrust restraint of trade consumer program going. I think if anything can be done through enforcement efforts of the Federal Trade Commission and the Department of Justice in the direction of encouraging States to take more and more of this responsibility, the better off we will all be. This is the purpose of this office, and this office will cooperate with the Association of Governors, the Governors' conference having, as I understand, a program for new legislation.

Mr. THOMAS. We will put page 39 in the record.

(The page follows:)

OFFICE OF THE GENERAL COUNSEL

The General Counsel is the chief law officer of the Commission. He is its legal counselor and adviser. He represents the Commission as its lawyer in contacts with other departments, agencies, and branches of Government, and in controversies before the courts of the United States. He is an executive directing the work and performance of legal, secretarial, and clerical personnel:

Handling the preparation of briefs and oral arguments before the courts of appeals on appeals taken from decisions of the Commission;

Collaborating with the office of the Solicitor General in preparing and presenting Commission cases before the U.S. Supreme Court;

Handling matters before the U.S. district courts concerning enforcement of Commission subpenas and seeking injunctions;
Preparing opinions on matters of law for the Commission and the staff;
Analyzing new legislation, preparing the Commission's reports thereon, and representing the Commission before congressional committees;
Supervising and directing all functions of the Commission in the operation of the Webb-Pomerene (Export Trade) Act of 1918;
Handling the negotiation of consent orders;
Handling the cancellation proceedings of trademarks as authorized by the Lanham Trade-Mark Act of 1946;
Advising the Chairman of the Commission on clearance of voluntary industry agreements sponsored by other agencies in carrying out the Defense Production Act and Small Business Act of 1953, as amended;
Passing upon trade practice rules, trade practice industry guides, and trade regulation rules;
Examining from the standpoint of enforcibility the investigational demands for access, demands for special reports, and subpenas duces tecum;
Preparing legal manuals and studies for staff use.

Mr. THOMAS (reading):

The General Counsel is the chief law officer of the Commission. He is its legal counselor and adviser. He represents the Commission as its lawyer in contacts with other departments, agencies, and branches of government, and in controversies before the courts of the United States. He is an executive directing the work and performance of legal, secretarial, and clerical personnel.

He does not touch the other 400 lawyers you have in the Bureaus.

Mr. DIXON. You see, the Administrative Procedure Act was passed in 1946, Mr. Chairman, and that said any person, any lawyer, any staff member that participates in the investigation or trial of a matter cannot in any way advise the Commission in its determination. Starting back at that time the Commission took its General Counsel and separated it from its trial——

LEGAL WORKLOAD

Mr. THOMAS. What is the workload in the office this year, Mr. Henderson?

Mr. GLENDENING. There are more than 90 cases pending in the appellate courts.

Mr. THOMAS. Let Mr. Henderson answer.

Mr. HENDERSON. We handled a total of 133 cases this year, Mr. Chairman.

Mr. THOMAS. How many in the district court and how many in the appellate court?

Mr. HENDERSON. Approximately 20 in the district court and the rest of them in the appellate court.

Mr. THOMAS. In the summary in the early part of the record he gets into a good many cases. I do not think the record ought to go unnoticed in that regard with just the narrative. Mr. Chairman, I think you ought to discuss at this point in the record some of the big cases. You are accused of chasing a lot of rabbits and letting the lions get away. What are some of the big cases you have under investigation? How many have you tried and how many has the Commission passed upon this year? What was the record of the Commission in the cases appealed?

I get letters from dairy people complaining of not necessarily mergers but price fixing, violation of the antimonopoly statutes, and gen-

erally squeezing the little ones out. Do you have any dairy cases pending now?

Mr. DIXON. Yes, sir; we have.

Mr. THOMAS. I notice you say the biggest part of your workload is in the Division of Food. That is a broad generality.

Mr. DIXON. I think on page 42 it gives you some of the scope. Some of it we handle, some of it is in the courts, either just went to court or is pending. We have a case that is too old, the *Luria Bros.* case, a 17,000-page document that covers the whole gamut.

Mr. THOMAS. How many cases have you actually investigated, say, in the first 6 months of this year or in the complete year of 1964? How many of them did you issue an order on? How many went to hearing examiners? How many got up to the Commission itself? That will give us a pretty good idea.

Mr. DIXON. They are under different bureaus, and I will have to go back and pull them together.

Mr. THOMAS. That is what we need.

Mr. GLENDENING. We completed 530 investigations in the first 6 months.

Mr. THOMAS. That is not secret information, is it?

Mr. DIXON. It would be if we had all the names. We would not give you the names; we would give you the numbers.

Mr. THOMAS. We do not even find the numbers in here.

Mr. DIXON. Going back to the "Workload and manpower report"——

Mr. JONAS. They have different books.

Mr. THOMAS. They are working from secret books.

Mr. DIXON. We will give you this book.

Mr. THOMAS. How many investigations?

Mr. GLENDENING. A total of 530 investigations were completed in the field offices in 6 months.

Mr. THOMAS. You mean the first 6 months of 1965, or when?

Mr. GLENDENING. The first half of 1965.

Mr. THOMAS. How many completed investigations did you make in the fiscal year 1964, the complete year?

Mr. WILLIAMS. 1,141.

Mr. THOMAS. How do these investigations break down? How many went to hearing examiners and how many got to the Commission? How many final decisions were made and how many court cases came out of that?

Mr. DIXON. On page 12 is the "Investigative caseload," which you put in the record. It answers some of the questions you are asking. We initiated or reopened 1,401 cases in 1964; "Restraint of trade," 353; "Deceptive practices," 1,048.

Mr. THOMAS. What happened to the 1,200 cases is the question.

Mr. SHEEHY. On restraint of trade, Mr. Chairman, I can give you the figures from July 1 to March 1 of this year or July 1, 1963, to July 1, 1964.

Mr. THOMAS. Stay with the completed year and use round figures. You had 1,150 investigations. What happened to them? It has been alleged the agency is engaged in chasing rabbits. You chased 1,150. Now, what happened to them?

Mr. DIXON. On page 80 it is spelled out on "Deceptive practices." You can pretty well spell it out exactly what happened. Statistical

summary, workload, and output, investigation and trial division. This is deceptive practices. Is there one like it on restraint of trade, Joe?

Mr. THOMAS. Let's see what it says. That is only in one bureau.

Mr. DIXON. That is the big one now.

Mr. THOMAS. Here is your table at the bottom of the page. Now analyze that.

Mr. DIXON. We received 4,523 letters, and we disposed of 4,519. We started 686——

Mr. THOMAS. The first figure that has got any meat in it is complaints issued, 129.

Mr. DIXON. Investigations completed, 837. That has some meat. That is what we fed in and what is already there.

Mr. THOMAS. Orders to cease and desist, 116.

Mr. DIXON. That is right; and then assurances of discontinuances. Instead of a complaint and order, we get the promise or an affidavit now; 298. Total corrective actions, orders, plus this, is 459. Number of attorneys were 52.

Mr. THOMAS. What is the nature of some of these deceptive practices? Does this go back to food false advertising?

Mr. DIXON. Mr. Sweeny, or Mr. Murray, the acting bureau head now, would have the answer. They range from general deception on.

Mr. MURRAY. They cover the whole range, from cases involving indirect fraud, intent to defraud—correspondence schools, most any type of misleading deceptive practices you can think of. False labeling. All manner of deceptive practices.

Mr. DIXON. Get-rich-quick schemes, sales to old people, quackery in drugs.

Mr. THOMAS. It covers the whole field of advertising?

Mr. DIXON. Yes.

Mr. GIAIMO. Will the gentleman yield?

Mr. THOMAS. Yes.

### FOOD AND DRUG ACTIVITIES

Mr. GIAIMO. One of the complaints I have heard about the agency is that you get too deeply into the area of food and drugs, and this is contributing substantially to your workload. Have you any comment on that?

Mr. DIXON. I would be very happy to, sir. In 1938, when the Wheeler-Lee amendment was drafted by the Congress, they passed, as I said, sections 12, 13, 14, 15, and the Congress debated there as to whether they should place all of this work in Food and Drug, some in Food and Drug, and the rest in the Federal Trade. The decision was made, as I understand, along this line: The principal thrust of Food and Drug is to take care of health and safety, the licensing, the checking to see if it is safe, and in each case to see the label describes and warns if it is dangerous, but when you go to sell the product, you are in another field of expertise, economics——

Mr. GIAIMO. Which is yours?

Mr. DIXON. The Federal Trade Commission expertise has come from some 50 years, and it is also administrative and not in a constitutional court where it is more fluid. So when you say we are in that too much, we are not in it enough, sir. We are not in it enough

by virtue of the fact we just simply do not have enough scientific people, nor can we get enough scientific clinical data to challenge the big ones you are seeing on television right now every night.

Mr. GIAIMO. What concerns me is that in order to properly do this you are going to have to do precisely what you are saying, and that is increase your research staff, your legal staff, and every other type of specialist. Is that at the same time being done by some other agency like Food and Drug, for example? And are we getting duplication? Is that the reason there is an increase in letters of complaint. Are similar letters being written to Food and Drug? Do we have the situation where two agencies are going after the same rabbit, to use the chairman's expression?

Mr. DIXON. We are working with our liaison with them every day, sir, and are perfecting it to the point today where we are moving simultaneously. You will find seizure and our complaint being issued simultaneously. We have done this two times recently with them, including the exchange of information. If they have basic information it is made available to us. Someone, if you go to issue, must prove the issues, and that means if it has to be relied upon to have human clinical tests to offset what is being claimed, it has to be done, and they are not any better at it than we are in that respect.

Mr. GIAIMO. Maybe they are not any better at it than you are, but that is not the point. What worries me is, are we going to wind up having two agencies doing the same thing?

Mr. EVINS. The Food and Drug handles labeling, and the Federal Trade Commission handles marketing and advertising.

Mr. GIAIMO. That is true, but the point is, in order to determine the contents of the label or economic significance, you still have to do specialized scientific research, and also legal. This is what disturbs me, if we are going to have both of you going in the same direction.

Mr. DIXON. May I say to you, before we do this, this is cleared with Food and Drug and they clear with us. So there is no duplication. It is just like the Department of Justice—when they take up a merger we stay out. If we take up one, they stay out. It may be that we will both proceed with something, the Food and Drug and the Federal Trade Commission, in order to cover the field, because a seizure action is not as effective as a permanent injuction. They have learned that many of the constitutional courts give rather short shrift to some of their approaches to court.

Mr. GIAIMO. Their approaches are limited to seizures, are they not?

Mr. DIXON. That is correct.

Mr. EVINS. Will the gentleman yield?

Mr. GIAIMO. Yes.

Mr. EVINS. Mr. Chairman, do you proceed against the advertising agency simultaneously with the respondent company?

Mr. DIXON. We do where we have reason to believe that they went beyond being merely the agency, they participated in the creation.

Mr. EVINS. Does advertising come under your jurisdiction?

Mr. DIXON. Correct.

Mr. EVINS. And under also the jurisdiction of the Food and Drug?

Mr. DIXON. Advertising would be under us, not under the Food and Drug Administration.

Mr. THOMAS. We will put pages 41, 42, and 43 in the record.
(The pages follow:)

DIVISION OF APPEALS

The principal function of this Division is to represent the Commission in the Federal courts. Any party against which the Commission has issued an order to cease and desist may petition a Federal court of appeals for review. Disobedience of a court's decree enforcing a Commission order or subpena may be punished as a contempt. Collateral suits challenging the Commission's jurisdiction or procedure may be brought under certain circumstances in a Federal district court. The Division handles these and similar matters both directly and in participation with the Office of the Solicitor General in Supreme Court matters, and with offices of the U.S. attorneys in certain other cases affecting the Commission. The Division is also often called upon to render formal and informal advice and assistance to the Commission and to the staffs of other bureaus and divisions.

*Workload, fiscal 1964*

During fiscal 1964 the Division handled a record 133 cases. It completed litigation in 42 cases, of which 12 were restraint of trade matters, 11 involved deceptive business practices, 3 concerned the Commission's subpena powers, and 16 were miscellaneous matters, including suits against the Commission for injunction or declaratory judgment.

*Current workload*

The workload of the Division is variable, and since the vast majority of it results from actions initiated by other parties, its timing is governed by factors over which the Division has little control. As in each fiscal year, the workload in fiscal 1964 was heavier than for the previous year, reaching an new high. This increased workload has resulted in much unpaid nighttime and weekend overtime work.

At the beginning of fiscal 1965 the Division's workload included 91 cases open for further action or pending final disposition in the courts, a significant increase of 21 over fiscal 1964. These included *Luria Bros. & Co.*, docket, 6156, with 17,000 pages of transcript and 1,300 exhibits; *Firestone Tire & Rubber Co.*, docket 6487, with 8,000 pages of transcript and 700 exhibits; *The B. F. Goodrich Co.*, docket 6485, with 4,500 pages of transcript and 375 exhibits; *Foremost Dairies*, docket 6495, with 5,500 pages of transcript, and 1,500 exhibits; *The Borden Co.*, docket 7129, with 4,000 pages of transcript and 5,600 pages of exhibits; *Brown Shoe Co.*, docket 7606, with 2,600 pages of transcript and 500 pages of exhibits; *Procter & Gamble Co.*, docket 6901, with 8,000 transcript pages and 900 exhibits; *Permanente Cement*, docket 7939, with 9,000 transcript pages and 400 exhibits; *American Cyanamid Corp.*, docket 7211, with 15,000 transcript pages and 1,000 exhibits; *The Atlantic Refining Co.*, docket 6486, with 1,700 transcript pages and 2,300 exhibit pages; *Consolidated Foods Corp.*, docket 7000, with 3,500 pages of transcript and 2,000 exhibit pages; *Sun Oil Co.*, docket 6934, with 2,000 transcript pages and 2,000 pages of exhibits; *Emile M. Lapeyre, et al.* (Grand Caillou), docket 7887, with 7,400 transcript pages and over 15,000 pages of exhibits.

*Workload expected in fiscal 1966*

Information of a type which in the past has proven reliable in predicting the future workload of the Division indicates another significant increase for fiscal 1966.

1. The backlog of cases expected to undergo court review, and to be handled by this Division, has continued to mount in the last fiscal year. This trend is in line with developments in recent years which has seen the Division's workload more than double.

2. An increasingly large number of injunction and declaratory judgment actions in district courts, together with other miscellaneous matters (such as *Holland Furnace* contempt proceeding) and cases stemming from continued emphasis upon the Commission's use of compulsory processes to obtain information, presently occupy virtually all of the time of three attorneys on this staff. In

addition, it has been necessary, over the past months, for several other attorneys to devote much of their working time to assist in handling those matters.

3. The large number of "big cases" expected to be undergoing court review during fiscal 1966. These cases are characterized by voluminous records, complex and vigorously disputed legal and factual issues, masses of economic data, conflicting expert opinions, novel questions of law, substantial public interest, and great financial consequences to the respondents involved. It is the Division's experience, and it is naturally to be expected, that virtually every one of these respondents will exhaust appellate review of an adverse decision, sparing no expense in so doing. Such review necessarily entails intensive study and reanalysis of the entire record, and reargument of every factual conclusion and legal proposition by the attorneys of this Division assigned to these matters.

While there is no certainty as to what cases now before the Commission will be decided adversely to respondents and appealed to the courts, our experience indicates that this will approximate at least 75 percent.

## Hearing Examiners

Mr. Thomas. Let's take a look at the hearing examiners. You have 37 and want to stay at 37.

We will put pages 53 and 54 in the record.

(The pages follow:)

*Hearing examiners*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Personal services | 37 | $515,000 | 37 | $515,000 | | |
| Travel | | 20,000 | | 20,000 | | |
| Total | 37 | 535,000 | 37 | 535,000 | | |

Hearing examiners have complete charge of cases from the time the Commission issues its complaint until the initial decision is rendered. The responsibility of evidence, and all procedural and other interlocutory motions.
conduct of pretrial conferences and formal hearings. In all instances the examiner acts as the official hearing officer and rules on offers of proof, admissibility of evidence, and all procedural and other interlocutory motions.

Since the Commission revised its rules of practice which resulted in acceleration of trials the number of cases assigned per hearing examiner has been reduced. This revision has enabled the hearing officer to conduct consecutive hearings and continue to final disposition of matters more expeditiously.

During fiscal 1964 there were 169 matters handled of which 106 were disposed of by various procedures; his has resulted in 63 matters on docket as of June 30, 1964.

During the period noted above, the examiners held 86 days of pretrial conferences and 694 days of formal hearings.

No increase is requested for fiscal year 1966.

*Personnel as of Dec. 31, 1964*

| | Total | Attorneys | Stenographic and clerical |
|---|---|---|---|
| Professional: | | | |
| GS–17 | 1 | 1 | |
| GS–16 | 20 | 20 | |
| Stenographic, clerical, etc. | 17 | | 17 |
| Total | 38 | 21 | 17 |

Note.—Total annual salaries, $535,176.

Mr. THOMAS. I notice you use this language [reading]:

During fiscal year 1964 there were 169 matters handled of which 106 were disposed of by various procedures, this has resulted in 63 matters on docket as of June 30, 1964.

You have 20 examiners.

Mr. DIXON. And a total of 37 in the bureau.

Mr. THOMAS. You cannot get along without secretarial help.

Mr. DIXON. This is correct, sir.

Mr. THOMAS. You have 37 people handling 170 cases. That is about 4 cases per person, is it not? No wonder you have to loan out some.

Mr. DIXON. Mr. Chairman, there are only 21 hearing examiners. If you look on page 43, look at some of these cases these gentlemen are talking about. I know judges that sit on some of these type of cases for years.

Mr. THOMAS. Wait a minute.

Mr. DIXON. That is page 43.

Mr. THOMAS. That is under the Chief Counsel's Office. All right; go ahead.

Mr. DIXON. These are merger type cases. This reflects the size of these records that these hearing examiners have built up.

Mr. THOMAS. You are referring to the table Fruehauf Trailer, Beatrice Foods, ABC Vending Corp?

Mr. DIXON. Yes, sir.

Mr. THOMAS. Some of them you dispose of in a day or a day and a half, too.

Mr. DIXON. We used to, but I come back again, sir: In 1961 when we reorganized the Commission we took the consent docket away from the hearing examiner. That used to make him look like he was handling a lot of cases. We stripped him to where he handles nothing but adversary proceedings. The consent docket is handled by the General Counsel and at the Commission table now.

Mr. EVINS. Mr. Chairman, how many average days a year does a hearing examiner sit in actual trial?

Mr. DIXON. I would say half the time, sir. And much of this time he is out of Washington.

Mr. THOMAS. After all of the tumult has died away the fact remains you have three you did not have anything for them to do, and you loaned them out to some other agency of the Government. How do you get around that?

Mr. DIXON. Mr. Chairman, I detailed these three because I felt the way our formal docket was trending we could keep it manageable with three less than we had at the moment.

Mr. THOMAS. Your workload is going down?

Mr. DIXON. And I hope the formal docket keeps going down. I hope we can settle all of our problems by affidavits, by consent, and across the board. I could increase it for you, because all I would have to do is reverse our policy and sue all of these 4,000 people individually and then we would need 200.

Mr. THOMAS. We will recess and come back at 1 o'clock.

AFTERNOON SESSION

Mr. THOMAS. Mr. Evins, would you finish this budget, please, along with Mr. Jonas?

BUREAU OF RESTRAINT OF TRADE

Mr. EVINS. We had reached the Bureau of Restraint of Trade at the conclusion of the morning hearing.

Mr. Chairman, continuing along the lines of this morning's discussion, you are moving from an individual case procedure basis to wholesale proceedings. Would this give you more time to handle your major cases, antitrust cases, and other important cases? Can you give more attention to it and still not neglect this phase of the work?

Mr. DIXON. We certainly will not neglect any phase, Mr. Chairman and Mr. Evins. We will never reach the point where we will not have the big lawsuit. There will always be those small minority groups which will contest the very question of law violation, and it will, as you suggest, give us more time, I think, to more properly plan our workload where it would be more beneficial to the overall impact on the economy.

MERGER CASES

Mr. EVINS. We read from time to time in the Wall Street Journal there are more acquisitions, there is a wave of mergers sweeping the country. I read a report that in 1964 there were more mergers than there had been in 1963.

Mr. DIXON. That is right.

Mr. EVINS. What is the Commission doing in this field to stop these acquisitions?

Mr. DIXON. I will make a brief comment and then ask Dr. Mueller to comment on that because it is a broad question.

I think we have a very active antimerger program along with the Antitrust Division of the Department of Justice. There are more mergers. There is a tremendous wave of mergers underway, and the number is growing larger and larger. Mergers of corporations with sales over $10 million today are quite numerous. We have even gotten to questions involving several hundreds of millions of dollars, moving from the horizontal question and the vertical question, coming into the market extension and product extension question.

I think that our formal investigations will probably not be able to be stepped up much over the 35 to 50 a year with the staff that we have, and I don't think we can do anything about that.

Mr. EVINS. You are issuing about 30 to 40 antitrust indictments each year?

Mr. DIXON. This is in mergers. That is all I am talking about now. Yet, I think that is right.

Mr. EVINS. How successful have you been? In how many cases have you been able to prevent mergers where you think there is a tendency toward monopoly in recent years?

Mr. DIXON. We have been quite successful.

Mr. EVINS. Cite a few cases for the record where you have prevented acquisition?

Mr. DIXON. We have those listed somewhere. We can start with Crown Zellerbach. We have the *Pillsbury* case still in court. In the dairy field among others we have had the *Foremost Dairies* case. The *Union Carbide* case involves plastic resins. We have National Dairies, Borden, CBS.

We have recently filed four complaints in cement, vertical movement in cement down toward the market. Prior to that we had Lone Star, Permanente.

Mr. EVINS. All of these cases are cases where there was proposed acquisition for merger and the Commission interceded and prevented these acquisitions?

Mr. DIXON. Obtained an order. There is settlement or proposed controversy looking toward an order of divestiture in them.

MERGERS IN THE TIRE INDUSTRY

Mr. EVINS. How about the *Firestone-Seiberling* case? My information is that Seiberling's profits are going up 10 to 15 percent every year.

Mr. DIXON. Your information is wrong, sir.

Mr. EVINS. They are failing, going bankrupt?

Mr. DIXON. Mr. Chairman, under our Advisory Opinions Section we, along with the Department of Justice, were requested to render an advisory opinion on a proposed merger of Firestone with Seiberling. We asked for additional information.

We were not quite satisfied with it, and we went out and asked for more information.

While this was pending with us, Firestone notified us, along with a public statement, they were satisfied that they were not violating the law and they were going forward with the merger.

When they announced the merger, of course, we told them we would consider this as a withdrawal of request for any clearance because they went ahead and merged.

The matter is in that category right now. Both we and the Department of Justice are looking at this matter.

It involves very seriously the question of the failing-company doctrine, sir. There are many accusations and many statements made, both in the press and in letters. It would force upon either the Federal Trade Commission or the Department of Justice, if they should challenge this matter, a very serious question of the failing-company doctrine.

Mr. EVINS. You say the information is carried in the press, that Seiberling has been making a profit of 10 to 15 percent in the last 10 or 15 years, and that is not correct?

Mr. DIXON. Not according to the information they gave us under oath.

Mr. EVINS. Is not the failing doctrine the excuse they used to permit the acquisition and merger?

Mr. DIXON. This is the basis on which they went forward.

Mr. EVINS. Is this still pending?

Mr. DIXON. I understand it has been consummated. They have moved in and taken over.

Mr. EVINS. How about the Goodyear-Lee acquisition?

Mr. DIXON. I know nothing about a Goodyear-Lee acquisition. I do not know they are proposing it at all. They have not asked us and we have read no public statement about it.

Mr. EVINS. In about 1920 there were possibly 200 tire-manufacturing companies in the United States. I understand that today there are only 15.

Mr. DIXON. There may not be but 12. We had a rubber tire hearing there the other day looking toward the establishment of some kind of rule in the marketing and advertising of tires and this statement came up. I don't know what it was based on, but it would be between 12 and 15 today.

There has been a disappearance of the small rubber tire company. There have been many mergers in this field, but in talking to our General Counsel here, at the same time this is a strange industry, Mr. Evins.

Ordinarily when you find an oligopolistic—where there are a few large ones that dominate—industry, and you have the big four and possibly five dominating the industry, and the rest having nothing, you usually find, as our economists tell us, that in this kind of industry rather high rates of profits exist. In this industry there are low rates of profits.

You ask yourself, Why is the consumer getting a good buy? Well, it would appear that for the price they are getting the consumer is getting an excellent buy in tires, and then you wonder how this happens.

Well, in this industry there are a lot of private label tires made. They are being made even by the big people. When they make them for Montgomery Ward and Sears, Roebuck they price them low and the big boy has to compete with them.

There is this tightening of the movement, but I would say, from the standpoint of price——

GENERAL MERGER PICTURE

Mr. EVINS. Is this about the situation in other lines of industries where there were several hundreds a few years ago and now there are only 12 to 20? It does not look to good for the Commission so far as preventing mergers is concerned.

Mr. DIXON. I would say it does not look too good on its face, but looking at it from where we are there is a failing company doctrine that is an absolute defense in this law. As to how it is administered that is something else, but if there is a failing company you have not destroyed competition. You have saved what there is of it.

If a company is failing does it have to go under the hammer? Do you have to buy it by the share, or where do you move it? These are facts. We are looking at it. I understand Justice is, too, but there is no final determination.

Mr. EVINS. I hope you will be able to proceed in more of these major types of cases in acquisitions, mergers, antitrust matters.

We shall place in the record page 55.

(The page follows:)

*Bureau of Restraint of Trade*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Position | Amount | Position | Amount | Position | Amount |
| Office of the Director | 47 | $285,000 | 47 | $285,000 | | |
| Division of Mergers | 33 | 380,000 | 38 | 422,000 | 5 | $42,000 |
| Division of General Trade Restraints | 32 | 391,000 | 32 | 391,000 | | |
| Division of Discriminatory Practices | 48 | 596,000 | 48 | 596,000 | | |
| Division of Compliance | 33 | 343,000 | 33 | 343,000 | | |
| Division of Accounting | 12 | 156,000 | 12 | 156,000 | | |
| Total personal services | 205 | 2,151,000 | 210 | 2,193,000 | 5 | 42,000 |
| Travel | | 98,000 | | 98,000 | | |
| Other expenses | | 24,000 | | 24,000 | | |
| Total | 205 | 2,273,000 | 210 | 2,315,000 | 5 | 42,000 |

Mr. EVINS. You ask for five additional positions for attorneys over last year, and a $42,000 increase in appropriation.

You have a total of 193 attorneys and you want 12 additional attorneys in the——

Mr. DIXON. We have 193, including 58 stenographers and clerical.

Mr. EVINS. You are asking for 12 additional for the staff?

Mr. DIXON. We are asking for only five additional.

Mr. EVINS. The text on page 57 and page 58 should be inserted.

(The pages follow:)

BUREAU OF RESTRAINT OF TRADE

This Bureau has the responsibility for all preliminary investigational activity in the antimonopoly field which includes general trade restraints under section 5 of the Federal Trade Commission Act and violations of sections 2, 3, 7 and 8 of the Clayton Act. All correspondence relating to these matters and all preliminary applications for complaint are received and processed by the Bureau. Decisions are made by this Bureau as to the matters which warrant investigation. Several techniques are used in conducting these investigations: (1) In some instances memorandums are forwarded to the Bureau of Field Operations outlining in detail the scope and area of investigations; (2) members of the staff of the Bureau of Restraint of Trade conduct field investigations for the purpose of interviewing and ascertaining the availability of prospective witnesses and obtaining documentary material; (3) members of the staff conduct investigations by informal questionnaires and correspondence; (4) members of the staff conduct investigations by the use of investigational hearings under subpena power of section 9 of the Federal Trade Commission Act and the use of special reports under section 6(b) of that act.

The Bureau is also assigned the task of securing compliance with orders to cease and desist issued by the Commission. In this function, this Bureau passes upon reports of compliance filed initially and maintains surveillance over final orders for the purpose of assuring the continuance of compliance, conducts or supervises investigations of violations of orders, prepares such cases for civil penalty actions and assists in the penalty proceedings.

On March 23, 1961, the Attorney General of the United States forwarded to the Commission 56 cases in which decrees had been obtained by the Department of Justice under the Sherman Act. The Commission was requested to conduct appropriate investigations and report thereon to the Attorney General. These judgments, in most instances, involved multiple corporate defendants of major size. Fifty-two of these investigations have been completed and reports with findings and conclusions of law have been forwarded to the Department of Justice. It is anticipated that the remaining four cases will be completed by March 1965.

*Restraint of trade workload*

During the fiscal year, 1,366 applications for complaint were received. This was a slight increase from the previous year, but was substantially in excess of other years.

Our concerted effort to reduce the backlog has continued with the result that pending investigations have been reduced from 1,504 to 1,417. We have concentrated on the old cases in an effort to get our work on a current status. Our success in this field is evidenced by the fact that matters which were docketed prior to 1960 were reduced during the year by approximately 60 percent; all those docketed during the fiscal year 1960 were reduced approximately 27 percent.

There was a substantial decrease in the number of formal complaints and orders issued during the year as compared with the previous fiscal year although these were well in excess of the number issued in fiscal year 1962. The unusually large number of formal actions during fiscal 1963 are attributable in large part to those complaints and orders in the wearing apparel field.

*Restraint of trade workload: Complaints and orders—Statistics by statute, fiscal years 1962, 1963, 1964.*

| | 1962 | 1963 | 1964 |
|---|---|---|---|
| COMPLAINTS | | | |
| Total [1] | 49 | 230 | [2] 96 |
| Federal Trade Commission Act, sec. 5 | 8 | 10 | 7 |
| Clayton Act, sec. 2 | 41 | 219 | 83 |
| Clayton Act, sec. 3 | 0 | 0 | 0 |
| Clayton Act, sec. 7 | 1 | 2 | 6 |
| Clayton Act, sec. 8 | 0 | 0 | 0 |
| ORDERS | | | |
| Total [1] | 91 | 261 | 136 |
| Federal Trade Commission Act, sec. 5 | 9 | 10 | 26 |
| Clayton Act, sec. 2 | 74 | 250 | 104 |
| Clayton Act, sec. 3 | 1 | 0 | 0 |
| Clayton Act, sec. 7 | 8 | 5 | 6 |
| Clayton Act, sec. 8 | 0 | 0 | 0 |

[1] Two or more acts may be included in one complaint or order.
[2] Two acts included in sec. 5 complaints. In total orders there were two sec. 5, one sec. 7 and one sec. 2 partial orders included.

PENDING WORKLOAD

Mr. EVINS. I believe most of the cases referred to have been reported and completed, possibly one or two pending.

Matters docketed in 1960 were reduced during the year by approximately 60 percent. All of those docketed during the year 1960 were reduced to approximately 27 percent.

These are statements in your justification and they indicate that your workload is declining, is that right?

Mr. DIXON. I think it is getting more current. If we have set something and do not get to it for a year and a half there is a problem.

Mr. EVINS. Let us read page 59 for the review of everyone:

During the year, 864 acquisitions were the subject of preliminary studies by the Division of Mergers, using published financial, economic, and industrial data together with economic studies and reports.

Fifty-four formal investigations were initiated as a result of the preliminary studies, compared to 32 such investigations during the previous year. When added to the 77 matters which were carried over from the previous year there was a total of 121 formal investigations; 45 were completed, leaving a balance of 76 active files at the end of the year. There were also six premerger clearance applications received and acted upon by the Di rision.

Nineteen formal adjudicative proceedings were pending at the beginning of the fiscal year.

Insert this material at pages 59 and 60 in the record.
(The pages follow:)

DIVISION OF MERGERS

The Division of Mergers has responsibility for investigations and for adjudicative and rulemaking proceedings relating to corporate mergers and acquisitions and to interlocking directorates under sections 7 and 8 of the Clayton Act (15 U.S.C. 18 and 19) and section 5 of the Federal Trade Commission Act (15 U.S.C. 45).

WORKLOAD, FISCAL 1964

*Preliminary investigations*

During the year, 864 acquisitions were the subject of preliminary studies by the Division of Mergers and the Bureau of Economics, using published financial, economic, and industrial data together with economic studies and reports and other information in the possession of the Commission.

*Formal investigations*

Forty-four formal investigations were initiated as a result of the preliminary studies noted above, compared to 32 such investigations during the previous year. When added to the 77 matters which were carried over from the previous year, there were a total of 121 formal investigations under active study during fiscal 1964. Forty-five investigations were completed, resulting in complaints or closings by the Commission, leaving a balance of 76 active files at the end of the year. There were also six premerger clearance applications received and acted upon jointly by this Division and the Division of Advisory Opinions, Bureau of Industry Guidance.

*Docketed cases*

Nineteen formal adjudicative proceedings were pending at the beginning of the fiscal year. Six new complaints issued, making a total of 25 formal cases in various stages of activity during the year. Of this total, four were concluded by orders of divestiture, three were dismissed by the Commision, and three were settled by means of consent orders. This left 15 docketed cases pending at the end of the fiscal year.

WORKLOAD, FISCAL YEAR 1965

*Preliminary investigations*

Preliminary examination will continue to be made of all acquisitions within the Commission's jurisdiction, and which involve companies having combined assets of $10 million or more. The number of such acquisitions has averaged from 70 to 90 a month. A number of these are cleared to the Antitrust Division of the Department of Justice, pursuant to clearance procedures between the two agencies.

*Formal investigations*

It is anticipated that formal investigations will continue at the rate of from 35 to 50 per year. When added to the carryover from the previous year, this would result in a workload of 112 to 127 active investigations during fiscal 1965. In addition to these investigations of individual mergers and acquisitions, it is anticipated that the Division will conduct industrywide investigations of merger trends in the food retailing and cement industries.

*Docketed cases*

It is difficult to predict the number of adjudicative proceedings which will be initiated during the coming year, but it is estimated that cases docketed for trial or settled by consent agreement should number about 12. With a carryover of 15 cases, this would represent a projected workload of 27 adjudicative proceedings in fiscal 1965.

*Rulemaking proceedings*

The Commission has announced its intention to conduct a trade regulation rule proceeding in relation to vertical integration by mergers and acquisitions in the cement industry. Plans for this proceeding are now being completed

and it is anticipated that it will be conducted during fiscal 1965. In addition, the Division of Mergers has recommended an industrywide rulemaking proceeding in the automatic vending industry, and, if Commission approval is obtained and the necessary resources are available, work on this proceeding may also take place during the coming fiscal year.

NATURE OF THE WORK

The Division of Mergers has increasingly directed its efforts toward the careful section of industries within which mergers may present the most serious competitive problems and to the achievement, within these industries, of specific economic goals. In selecting those industries where its limited resources may find their most effective use, the Division relies upon the experience and knowledge of its own staff, economic studies conducted by the Commission's Bureau of Economics, reports published by committees of the Congress, and other industrial studies or surveys. The selection of industries also depends, of course, upon the Commission's liaison arrangements with the Department of Justice, and efforts have recently been made further to coordinate the planning of both agencies in the merger field.

The criteria considered in selecting the industries within which to concentrate the Division's efforts include the importance of the industry to the national economy, the competitive significance of mergers within the industry, and the resources necessary to accomplish the desired economic goals. In the latter regard, it may be more desirable to spend the Division's resources on a less concentrated industry where prompt action may prevent the development of an anticompetitive merger trend, than on an industry where past mergers have resulted in a high degree of concentration and where effective relief, for this reason, may be difficult or impossible to attain.

Within the industries selected, the Division attempts to take advantage of the unique ability of the Commission to conduct industrywide investigations and proceedings and to establish standards which will afford guidance to businessmen and thereby avoid, wherever possible, the necessity of costly litigation.

Mr. EVINS. Preliminary investigations were conducted. You here refer to combined assets of $10 million or more. Number of such acquisitions averaged from 70 to 80 a month.

Mr. DIXON. It is growing larger.

LIAISON WITH DEPARTMENT OF JUSTICE

Mr. EVINS. You have an agreement with the Department of Justice as to the types of cases where you will proceed? What is the nature of this understanding?

Mr. DIXON. Our agreement with them, Mr. Chairman, from our standpoint, if we see something we would like to question we give them notification, and if within 24 hours they raise no question we go ahead.

If they raise a question we try to determine which of us has the most expertise in the particular matter. Then we give way to one or the other on that basis.

Mr. EVINS. You have a lot of investigations and a lot of matters brought to your attention. We see these stories in the press. You investigate them and turn them over to Justice. You lose control of them then.

Mr. DIXON. No. All we turn over to the Department of Justice, and I think this has been done regularly for years but perhaps more today, is this:

If we have a price-fixing matter called to our attention, and we go to it to an extent to where we believe it can be proven beyond a reasonable doubt, then this brings into play the possibility of criminal action, making for presentation to the grand jury.

We will call it to the attention of the Department of Justice. We ask them to look at these records and tell us whether or not they want to take it for that purpose.

If they do not want to take it we retain the file and go ahead. We are not giving away anything at all. We are trying to use the best public tool possible.

COOPERATION WITH NATIONAL FOOD MARKETING COMMISSION

Mr. EVINS. Congress set up a National Food Marketing Commission. How is your agency cooperating with this newly created Commission?

Mr. DIXON. We have had many conferences with its Chairman and with its executive director, Dr. Brando. As I would understand it, principally through Dr. Mueller's economic bureau they anticipate, as provided in that law, calling upon the Commission to make certain studies for them and report to them on a reimbursable basis.

Whatever we are called on to do, we intend to try to add to our staff in anticipation of this reimbursable money so it will not torpedo our existing responsibilities.

Mr. EVINS. Here is a recommendation—

Because of the magnitude of the food retailing industry and its crucial role, the task force recommends that sufficient staff develop an expeditious industry-wide program directed at preventing future mergers by leading food chains and taking action against their most significant past mergers.

Mr. DIXON. This is a recommendation based upon a study and report published in 1960 and 1962 by our economic inquiry into the food marketing.

We have tried to carry that recommendation out.

This Food Marketing Commission, through an act of Congress, goes beyond this as I understand it. They are inquiring into the structure and behavioral practices of those segments that are engaged in food processing, marketing, or sale.

Mr. EVINS. Has the Commission been able to prevent chainstores from merging, consolidating, taking over, and eliminating competition in the food field?

Mr. DIXON. I know of two pending cases where we are exercising our final judgment which involves this question. I would prefer not to comment on them. We are actually in this process right now, sir.

There are tremendous records in these cases.

INCREASE REQUESTED FOR MERGER WORK

Mr. EVINS. You have language here at the bottom of page 64 stating that to prevent mergers you need 33 attorneys. I don't know whether 33 attorneys would stop that.

Mr. DIXON. Increase to at least 33 attorneys.

The next page shows at the present time we have 28, and we want 5. That brings it to 33.

These attorneys are engaged in this work exclusively. This is the only increase in this entire division, this entire bureau.

Mr. EVINS. You have a lot of language about your studies and investigations. I want to commend you on the good work you do and to encourage you to be aggressive in this field. I think it is very important.

Mr. DIXON. We prepare this budget at the beginning of the year. We go to the Budget Bureau and we arrive with whatever is approved. Sometimes we do not have time to redo it.

Mr. EVINS. Your budget is well presented.

LITIGATION WORKLOAD

Page 71 shows the workload in 1965 as of July 1, 1964. Formal complaint cases pending total 58 in various phases of litigation. Insert the workload shown on page 71, and also pages 72 and 73 in the record.

You break down the number of cases on page 74; 75 is also important. We will insert all these pages.

(The pages follow:)

WORKLOAD, FISCAL YEAR 1965

As of July 1, 1964, there were pending 58 formal complaint cases in various stages of litigation and 1,120 informal cases in various stages of investigation or review.

The following are representative of some section 2 cases pending in various stages of litigation:

William H. Rorer, Inc., a manufacturer of pharmaceuticals, with sales in 1963 totaling $11,390,000, has been charged with discriminating between competing drug wholesalers and between competing chain and individual retail druggists. The complaint charges that Rorer granted certain favored customers additional discounts ranging from 16⅔ to 20 percent.

A pending complaint against Knoll Associates, Inc., a manufacturer of furniture, charges the company with arbitrarily granting some customers a discount of 40 percent from list, while at the same time granting a discount of 50 percent from list to competing customers.

American Bakeries Corp., the third largest bakery in the Nation, with 1963 sales in excess of $169 million, is charged with favoring certain customers with preferential prices, advertising allowances, and services.

Beatrice Foods, Inc., one of the country's largest dairies, with annual sales in excess of $365 million, is charged with granting preferential discounts and advertising allowances to certain favored customers.

To summarize: As of July 1, 1964, 58 formal cases and 1,120 informal cases were pending for disposition. If the pending caseload were divided equally among the 39 trial attorneys presently available, the average caseload per attorney would be approximately 30 cases. This number greatly exceeds the caseload which an attorney can efficiently handle. The pressure of the work is so great that most of the attorneys put in substantial overtime on regular workdays, Saturdays, Sundays, and holidays.

In the majority of the litigated cases the respondents are represented by the ablest antitrust lawyers in the country. Because the cases are vigorously contested, they are in litigation for a protracted period of time. The expense of conducting the defense in some of the litigated cases appears to be of little concern to the respondents. In one case the cost involved in preparing the respondent's cost justification defense is reliably reported to have exceeded $500,000, exclusive of attorney's fees.

In view of the accelerated pace in present-day business, it is vitally important that the Commission take corrective action against discriminatory practices as promptly as possible. A major portion of the pending cases arose as a result of complaints from law-abiding businessmen who look to the Commission for relief from discriminatory practices engaged in by competitors and which they consider to be both oppressive and illegal. Failure on the part of the Commission to provide prompt and effective relief is, in many instances, tantamount to no relief at all.

The prime objective of this Division is to establish and maintain a reasonably current and manageable schedule of cases. Fulfillment of this objective is vital if the Commission is to be successful in carrying out the purpose of the statute which is to insure equal competitive opportunity for all who desire to compete in the market.

No increase in funds is requested for fiscal year 1966.

DIVISION OF COMPLIANCE

With the ever-mounting number of final orders issued by the Commission in the antitrust and restraint of trade areas of its administration, now totaling in excess of 1,200 such orders, the Compliance Division, Bureau of Restraint of Trade, is faced with a problem of singular and increasing complexity and importance.

Contrary to popular misconception, each final order issued by the Commission in this area, while literally terminating the adjudicatory aspect of the case, does not end the Commission's responsibilities with respect thereto. Each such order initiates inevitably new problems which must be handled by this Division involving each such case. Almost without exception, each order forments inquiries and requests from affected respondents for interpretations and advice as to the manner, form, and extent of compliance which must be effectuated.

Many of the orders in this area cover a multiplicity of respondents or, in fact, all of the substantial factors in a given industry. Illustrative of these are those issued in conspiratorial price-fixing cases or those Robinson-Patman Act orders affecting majority segments of the publishing field and involving in excess of 50 publishers and some of their national distributors.

Orders in the restraint of trade area must therefore be interpreted and aministered so as not only to insure the procurement and maintenance of compliance therewith, but in such a way as to guard against inequitable and inconsistent interpretations and enforcement. The Compliance Division must be able to operate expeditiously and effectively when faced with complaints of violation by a respondent or respondents subject to a Commission order. For the Commission to fail to act in such instances may well result in the negation of all practical benefit to be derived from the past expenditure of very substantial sums of the public's money in procuring a large number of related orders in a given industry. For example, this Division, when faced with complaints as to the fact of violation by certain respondents in the publishing industry involving in excess of 50 final orders of the Commission, expeditiously launched investigations which culminated in the filing of several civil penalty suits before the U.S. district courts. To have done otherwise may well have created a critical imbalance between the alleged order violators and those respondents desiring to comply with the requirements of the order but faced with the practical difficulty of also meeting the competition of recalcitrants.

This Division has, in the past, as at present, been faced with a tremendous workload in excess of 400 active cases at any given time. For the past several years there has been approximately 425 active cases at any given time with respect to which the orders must be analyzed and requests made to respondents to submit reports. A chain reaction thus starts. Requests are then received in most instances for conferences and guidance. Not infrequently a respondent is unwilling or fails to file a satisfactory report and additional measures are needed. In the area of the Robinson-Patman Act, for example, orders not only frequently occasion a complete revamping of the pricing and distributional patterns of a particular respondent, but such revolutionary revisions must be counseled and appraised by attorney personnel of advanced acumen.

Superimposed on this workload of in excess of 400 active cases is the recurrent necessity to activate orders issued in the past because of demands emanating from, among other sources, respondents, the public, or Congress. These most often entail complaints that certain orders are not being complied with.

At the close of the fiscal year, the workload of this Division by statutory section was as follows:

| | *Cases* |
|---|---|
| Sec. 5 of the Federal Trade Commission Act | 100 |
| Clayton Act, as amended, exclusive of sec. 7 | 282 |
| Sec. 7 of the Clayton Act, as amended | 26 |
| Department of Justice judgment cases | 13 |

During the past fiscal year, this Division has been instrumental in the negotiation and consummation of, subject to Commission approval, over 60 sizable and economically imported divestitures in various industries. Each one of these divestitures entails its own unique factual and legal problems. Not only must the proposed purchaser be carefully checked as to the nature and extent of all of its direct and indirect operations and affiliations, but each arrangement between a respondent and a proposed purchaser must insure as well that there be an absolute divorcement of control by the respondent over the assets or stock in question. These considerations, while merely illustrative, are but secondary objectives to the primary one of insuring the rejuvenation of competition in the affected industry as intended by the statute and the Commission's order.

This Division has also been mainly instrumental in the administration and supervision of the 56 judgments referred to the Commission for investigation and report pursuant to the Attorney General's request of March 1961. This program has been most demanding of the time and professional resources of this Division and its Chief and the Bureau of Field Operations. We feel that an outstanding job has been accomplished. As of January 1, 1965, 52 of these matters have been completed and the results thereof forwarded to the Attorney General. Of the remaining four, barring unforeseen problems occassioned by the review and analysis of the assembled material and files, it is hoped that the Commission will be able to complete all of these matters by March 1965, if not earlier.

While this Division has been required to handle problems on a day-to-day basis, stress has been laid upon the need to systematically check orders issued over the past years. In the absence of complaints, a basic guideline has been those orders which assume vital importance because of the nature of the industry and the acts and practices covered thereby considered in relation to contemporaneous economic developments. This Division has, for example, compiled a list of cases which it considers to be of unique importance in relation to the above objectives and has endeavored, within the restrictions imposed by available manpower, to determine the manner and extent of compliance and the economic vitality of such orders at present. For example, it was felt under the above standards that investigations should be undertaken involving orders in the following industries, among others:

Fishing.
Coffee trading and distribution.
Cement pricing and distribution.
Steel products pricing and distribution.
Automotive parts pricing and distribution.
Foodstuffs and components pricing and distribution.

These have either been completed or are well underway.

No increase in funds is requested for this Division for fiscal year 1966.

### DIVISION OF ACCOUNTING

The Division of Accounting prepares analyses and studies of the pricing policies of respondents or proposed respondents in connection with the Commission's law enforcement work in regard to (1) alleged price discrimination under section 2 of the Clayton Act, as amended by the Robinson-Patman Act; (2) cost data submitted by the respondents in justification of alleged price discriminations under the Robinson-Patman Act; (3) alleged pricefixing in cases arising under section 5 of the Federal Trade Commission Act; and (4) alleged sales below cost in violation of section 5 of the Federal Trade Commission Act.

In addition, the Division compiles production and sales statistics and analyzes financial data of companies and competitors involved in mergers under section 7 of the Clayton Act. It also compiles statistics concerning the financial position and operating results of companies under section 6 of the Federal Trade Commission Act.

During the fiscal year 1964 the Division of Accounting furnished accounting services in 78 legal cases and investigations. These included 47 Robinson-Patman Act cases, 18 section 5 of the Federal Trade Commission Act cases, 8 section 7 of the Clayton Act cases, 1 case for the Bureau of Textiles and Furs, and 4 cases involving investigations of compliance of court orders for the Department of Justice.

Under the Commission's present rules of practice, hearings on a litigated case "shall continue without suspension until concluded." Consequently, in a litigated case where the services of an accountant are needed, particularly when a case involves a proposed cost justification of a charge of price discrimination, the accountant advising and assisting a Commission attorney may be involved continuously for a considerable period of time.

Mr. EVINS. Are the 13 cases shown those you sent over?

Mr. DIXON. This is in our compliance. These are Justice cases pending on June 30, 1964. All but one of these have been sent over since then.

Mr. EVINS. Who is the Chief of the Deceptive Practices Division?

EVENTS RELATED TO DECISIONS OF U.S. COURT OF APPEALS

Mr. JONAS. I have a question or two before you go further.

I was concerned in reading the decisions of the U.S. court of appeals in the *Texaco* and *Goodrich Company* cases, which were ordered dismissed, where the court said it would be sufficient to dismiss them based on what the court said was a denial of due process as the result of a speech you made in Denver, Colo.

Mr. DIXON. Yes, sir.

Mr. JONAS. While the case was before an examiner on a remand order, the court said the effect of the language you used was to indicate a prejudgment of the case.

Mr. DIXON. That is what the court said.

Mr. JONAS. They also said that while that would be sufficient to dismiss the cases, they heard it on the merits and they were quite critical of the Commission for failing to consider evidence produced following the remand order; that the Commission based its findings on a record which the Commission previously held was insufficient to justify an affirmative decision.

Would you comment on this charge of prejudgment and denial of due process?

Mr. DIXON. I made a speech on this to the New York City Bar. I think it is one of the most serious things that has come into the antitrust regulatory field, at least.

What the court said about me in particular there is but an extension of what has been said in other matters. There is a serious problem pending with respect to the Federal Power Commission in the *Permian Basin* case today.

I, as an individual, of course, do not think that I, an any way, in the matter that the court took note of, exhibited any degree of prejudice. I would assume that what the court is doing there, what that panel of the court was doing, was subjecting a Commissioner to the same type of conduct that they would subject themselves, members of a constitutional court to.

I think this is not compatible, nor do I think it is a constitutional test. I disagree with what the court has said.

However, when the question came as to whether or not we should solicit or emplore the Solicitor General to include that point in a petition for certiorari, I spent many hours talking about this, with the Solicitor General. I deferred to his judgment, because he felt that it would be much better to take the *Permian Basin* case and not this one. Therefore I did not insist on it, and I took myself out of that case.

Mr. THOMAS. Would you yield right there? What is the status of the *Permian Basin* case?

Mr. DIXON. Mr. Swidler made a speech and all of them made speeches about the need of the regulatory rule.

Mr. THOMAS. How long has that case been pending?

Mr. DIXON. A long time. It is up there now.

Mr. THOMAS. They have been working on it 4 or 5 years, but the case has been pending only several months.

Mr. DIXON. Our case came in at the same time.

Mr. THOMAS. The Solicitor decided that of the two cases the *Permian Basin* case was the stronger of the two?

Mr. DIXON. Stronger to present to the Supreme Court. In other words, what is prejudice and what kind of conduct can a regulatory Commissioner engage in?

I point this out to you——

Mr. THOMAS. Didn't he make that speech in New York? No he made it to the industry.

Mr. DIXON. It was another Commissioner, Commissioner Black involved here. Mr. Swidler may be next if they get Mr. Black. Then the whole thing is out.

Mr. THOMAS. Didn't Mr. Swidler make a speech to the industry?

Mr. JONAS. You must admit it is really dangerous for a Commissioner to make a speech singling out companies by name when it has a proceeding pending against those same companies. Do you agree?

Mr. DIXON. I didn't even engage in the issuance of the complaints. These are public matters known to everybody in the United States. All I did was to recite the names of complaints and what was involved in those complaints.

The court here said that this indicates I have a closed and a prejudiced mind.

I would point this out to you, and we must keep this in mind:

Congress created a Commission such as the Federal Trade Commission. You gave us this responsibility—first, to receive complaints and see that they are duly investigated, and we, as the five Commissioners, are responsible to that unless it is delegated to someone else.

Then after that investigation is made, we put it on the table in front of us and go through it.

I had a mind at that time what no judge could possibly have. My mind must be to the point that I have reason to believe the law has been violated.

Then the third hat I wear is this: After issue is joined, then I review it finally upon the record that is made, but the safeguard Congress put in here, Mr. Jonas, is very sound. In a court, if you were going to district court, the judge is a stranger to everything. A controversy is brought to him, and he listens and judges.

After he makes his judgment, if you get any kind of review, you must petition and show why you are entitled to that review.

In our law respondents have an automatic right of review.

Mr. JONAS. Let us see if we can get this down to specifics. You say you think it was proper for you, as the Chairman of this Commission, to say "We at the Commission are well aware of the practices which plague you, and we have challenged their legality in many important

cases" and then name two cases which are before you right at that time?

Mr. DIXON. Named all five I think you will find. Yes, sir, I do, because that is public. I can say to anyone, if I am doing my job, "I am aware of the practices involved in this industry because they have been brought to our attention. We have investigated them and we have issued a complaint against them."

Mr. THOMAS. Suppose you were at trial in the district court and the judge repeated the same language, repeated exactly the same language you used about the cases pending before him? Do you think the circuit court would reverse him?

Mr. DIXON. I don't know.

Mr. THOMAS. You know good and well they would not.

Mr. JONAS. Another thing worried me.

Mr. DIXON. But he wouldn't use that language. He would never know it.

Mr. JONAS. This language was used in a speech. If a judge had made such a speech to the Rotary Club and commented on some cases that would be before him that afternoon or next week, it would be highly improper. I would certainly think it would be improper.

The court seemed to think it was improper for you to do that since these cases would be before you for decision subsequently.

Mr. DIXON. Mr. Jonas, I will respect that decision so far as my conduct is concerned as a special matter. I do not intend to name any more cases, although I point this out to you. What I am saying right here today will be made public. I have this responsibility to come here and answer you, and if I am answering you, and that is made public, it is just like my speech.

If you are going to say that I will be a judge, you don't bring a district judge up here and ask him about his budget and what cases he has, but you bring me up here. I recommend you keep bringing me here, too.

Mr. JONAS. I have no control over that.

Mr. DIXON. I think it is good, sound logic, and I am urging you do not let anybody take us down that road and say that no Commissioner can open his mouth to anyone because he might be disqualified, because of what that will mean to the Congress, to the bar, to the businessman.

I think the greatest job I have to do, and my greatest responsibility to the various Commissioners, is to go before the business groups and share with them problems that come before them.

If I give that advice and then sue someone and they say "You prejudged this. You are disqualified"——

Mr. JONAS. I think the burden of the court's point was that you named these particular companies.

Mr. DIXON. I am treating it that way, sir, on advice of the Solicitor. Perhaps I should have put one little sentence in that I shall do from now on—"This in no way means I shall prejudge these matters." I shouldn't have to say that, but I will from now on.

Mr. EVINS. Judges themselves sometimes take judicial notice of matters in interpreting cases before them.

Mr. THOMAS. That is different, though.

Mr. DIXON. They went pretty far here.

Mr. JONAS. I would like to comment on one other point made by the Court when they finally threw the cases out. This worries me a little bit as a Member of Congress who has to have some responsibility in this field.

The Court says that "After 4 years of investigation and 8 years of litigation, the Commission exceeded permissible limits, engaged in unreasonable harassing and oppressive effects upon the companies under attack. Because the Commission's drastic orders are not supported by the record as a whole, because of the undue protraction of the administrative process, we are of the opinion that this long drawn out proceeding now should be terminated and order it dismissed."

How would a proceeding last 12 years?

Mr. DIXON. I can give you one, the famous *Cement Basing Point* case. It arose in 1934 and was terminated by the Supreme Court in 1948. It was the most important antitrust case in history except but for one other. These cases have been 25 years in the making. This involves one of the most troublesome points of merchandising. TBA products—tires, batteries, and accessories—as to when we say salesmanship is coercive.

Mr. JONAS. Did your predecessor, Mr. Kintner and his Commission, hold on the record that you finally entered the order in that it was not sufficient to justify an affirmative finding and remand the case for further hearings?

Mr. DIXON. I think they did.

Mr. JONAS. Then the Commission in its order in these cases ignored the evidence produced on the remand and disposed of the case on the original record?

Mr. DIXON. I think it is just as logical as what this three-man panel said in this case. Another three-man panel sitting in the fifth circuit, or another circuit on that same point said there was nothing to this protracted thing.

Panels rule differently on different matters, sir. All I can tell you is that for the present moment we five are responsible. We may not agree with everything that has gone on before. I was part of this panel, although now I am disqualified.

Mr. JONAS. You were not on the original one?

Mr. DIXON. Not the original but here on the final determination of the Commission I am part of it, although I disqualified myself now.

Mr. JONAS. You don't think the Commission really engaged in harassing tactics?

Mr. DIXON. No, sir.

Mr. JONAS. That is pretty strong language for a court to use about a commission.

Mr. DIXON. Circuit courts have used strong language from time to time about regulatory bodies. Sometimes perhaps it is justified and sometimes perhaps I do not agree with it.

It is going to the Supreme Court. On a very similar set of records we won the case in another circuit. Here we lost it. There is a difference of opinion between circuits, one being the seventh and the other the District.

Mr. JONAS. What point?

Mr. DIXON. On the merits.

Mr. JONAS. One judge dissented in this case on the merits. He said the case should not be dismissed but heard on the record following the remand.

Mr. DIXON. He said the court should have considered that. That is a troublesome matter and I am glad you brought it up, sir.

Mr. JONAS. It raises a question. I know it puts the Commissioner of an agency under real handicap when he is called upon to make speeches before trade organizations and other interested groups. He has to be pretty careful not to violate the proprieties in discussing cases pending before him. That would be a fundamental principle.

Mr. DIXON. I told the lawyer involved that if this became the rule of law I wouldn't even associate with him any more, and they will never get me back dining with them and talking to them.

If they want to put a robe on me I will wear it. That is what I told him.

Mr. JONAS. I think it becomes a question of whether whatever language was used amounted to prejudgment.

Mr. DIXON. I hope that is what it means and no more. Sir, that tung me, and I am pretty thickskinned. That stung me because that takes into account my very ethical honor. I don't like to have a man tell me I am unethical, even though he is a judge.

Mr. JONAS. They said it amounted to denial of due process.

Mr. DIXON. That is about the nicest way you can tell a man you gave him a fast Texas trial. You heard him and then hanged him.

Mr. EVINS. I think the chairman takes good care of himself. I think they are not going far enough. Mr. Jonas wants to relax the reins and I want them tightened.

LEGISLATIVE RECOMMENDATION

Have you made any recommendations, Mr. Chairman, with regard to the tightening of the acquisition laws? With all your vast experience and knowledge has the Commission recommended any amendments to the antitrust laws?

Mr. DIXON. One was premerger recommendation.

Mr. EVINS. Do you think you need to be better armed?

Mr. DIXON. Here is the legislation needed.

Mr. EVINS. Read it.

Mr. DIXON (reading):

Amend section 7 of the Clayton Act to require prior notice to the Federal Trade Commission and other appropriate agencies of any proposed mergers of corporations of significant size which are engaged in interstate commerce, and to provide adequate means of preventing illegal mergers.

I shall insert the balance of that in the record.

(The information referred to follows:)

2. Amend section 2(e) of the Wool Products Labeling Act (15 U.S.C. 68(e)), which defines a wool product, so that it will read as follows:

"The term 'wool product' means (1) any fibers or fibrous materials, including fibers or fibrous materials reclaimed from other products, which are, contain, or in any way are represented as containing wool, reprocessed wool, or reused wool, and (2) any yarn, fabric or other product containing or made in whole or in part of such fibers or fibrous materials."

3. Amend section 2(d) of the Flammable Fabrics Act (15 U.S.C. 1191(d)) so as to include blankets which are dangerously flammable.

4. Amend section 5(a) of the Clayton Act (15 U.S.C. 16(a)) so as to include a final order of the Federal Trade Commission; that is, amend section 5(a) to read:

"A final judgment, decree or final order to cease and desist of the Federal Trade Commission heretofore or hereafter rendered in any civil or criminal proceeding brought by or on behalf of the United States under the antitrust laws to the effect that a defendant has violated said laws shall be prima facie evidence against such defendant in any action or proceeding brought by any other party against such defendant under said laws or by the United States under section 4A, as to all matters respecting which said judgment or decree would be an estoppel as between the parties thereto: *Provided*, That this section shall not apply to consent judgments or decrees entered before any testimony has been taken or to judgments or decrees entered in actions under section 4A."

Mr. EVINS. It is good to have those recommendations for the record.

## BUREAU OF DECEPTIVE PRACTICES

We shall turn to the Bureau of Deceptive Practices. Who is chief of this Bureau?

Mr. DIXON. Mr. Murphy retired from the Commission last week. The acting head is Mr. Murray now.

Mr. EVINS. I notice you had 128 positions and the same number requested for next year.

Place in the record, pages 77, 78, 79, 80, 81, and 82.

(The pages follow:)

*Bureau of deceptive practices*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Director | 38 | $232,000 | 38 | $232,000 | | |
| Division, Food and Drug Advertising | 26 | 306,000 | 26 | 306,000 | | |
| Division of General Advertising | 20 | 263,000 | 20 | 263,000 | | |
| Division of General Practices | 18 | 231,000 | 18 | 231,000 | | |
| Division of Compliance | 12 | 179,000 | 12 | 179,000 | | |
| Division of Scientific Opinions | 14 | 196,000 | 14 | 196,000 | | |
| Total personal services | 128 | 1,407,000 | 128 | 1,407,000 | | |
| Travel | | 21,000 | | 21,000 | | |
| Other expenses | | 78,000 | | 78,000 | | |
| Total | 128 | 1,506,000 | 128 | 1,506,000 | | |

*Personnel as of Dec. 31, 1964*

| | Total | Attorneys | Scientist, chemist, and doctors | Stenographic and clerical |
|---|---|---|---|---|
| Professional: | | | | |
| GS-17 | 1 | 1 | | |
| GS-16 | 6 | 2 | 4 | |
| GS-15 | 24 | 24 | | |
| GS-14 | 15 | 11 | 4 | |
| GS-13 | 8 | 8 | | |
| GS-12 | 15 | 15 | | |
| GS-11 | 5 | 5 | | |
| GS-9 | 1 | 1 | | |
| Stenographic, clerical, etc | 50 | | | 50 |
| Total | 125 | 67 | 8 | 50 |

NOTE.—Total annual salaries, $1,396,215.

## Bureau of Deceptive Practices

The Bureau of Deceptive Practices performs the investigation, prosecution, and compliance functions involved in the administration of sections 5 and 12 of the Federal Trade Commission Act, to prevent false advertising, misbranding, and other unfair methods of competition and unfair or deceptive acts or practices in commerce. The responsibility to prevent use of deceptive practices extends to all types of goods and services and all business concerns engaged in commerce, excepting those which by specific statute are regulated by other Federal agencies. The Bureau also has specific responsibility to prevent false advertising of food, drugs, therapeutic devices and cosmetics and monitors radio, television, and printed advertising to detect false and misleading advertisements.

The David and Goliath nature of the task confronting the Commission in the false advertising and general deceptive practices field is perhaps best illustrated by the following information regarding the 100 largest advertisers.

According to Advertising Age, of August 31, 1964, the top 100 national advertisers during 1963 spent a record amount of $3.17 billion for advertising, with expenditures by individual companies ranging from $200 million down to $7 million. The smaller figure is approximately twice the amount allocated to the Commission's deceptive practices work (excluding textile and fur work), in all bureaus and offices. The Commission has jurisdiction over the advertising of 89 of the 100 largest advertisers, which indicates that its responsibility to prevent false advertising may extend to as much as 89 percent of all the goods and services advertised for sale in interstate commerce.

Some 42 of the 100 largest advertisers are engaged in the sale of food, proprietary drugs or cosmetics. As to them, jurisdiction over labeling would rest with the Food and Drug Administration, but the FTC's Bureau of Deceptive Practices is responsible for accuracy of the advertising.

That the 100 largest advertisers do sometimes engage in advertising which requires Commission attention is indicated by the fact that cease-and-desist orders have been issued against 31 of them to prevent use of deceptive practices, and 2 more of the companies settled formal complaint cases by entering into stipulations that they would not again use the claims challenged by the Commission.

Thus 33 of the companies are under formal orders or stipulations by the Commission not to use deceptive practices of various kinds. This includes 21 companies subject to 1 order or formal stipulation, 7 companies with 2 orders against them, and 5 companies with 3 orders against them.

The 48 deceptive practice cease-and-desist orders which stand against 31 of the 100 largest advertisers includes 5 orders issued by the Commission during the 5-year period 1950–54, 6 orders entered during the 5-year period 1955–59, and 14 orders entered in the 4½-year period between January 1, 1960, and June 30, 1964. Frequency of violation seems to be increasing.

The Commission's responsibility to prevent deceptive practices extends not only to false advertising, but to deceptive labeling and packaging, oral misrepresentation and the multitude of other schemes that are constantly being invented by the fertile ingenuity of that small percentage of advertisers and sellers who would compete unfairly against their fellow businessmen and attract customers by cheating and misrepresentation.

The Bureau's work arises mainly from letters of complaint from members of the public who feel they have been deceived, or businessmen who are aggrieved by practices of their competitors. Many such matters originate through correspondence from Members of Congress, congressional committees, better business bureaus, trade associations, or other governmental agencies. Much of the Bureau's work arises from advertisements observed and set aside as questionable in the Bureau's continuing scrutiny of radio, television, and printed advertising.

Complaint letters or other indicia of new violations are referred to the Bureau of Industry Guidance when they appear amenable to treatment under rules or guides. Much of the investigation and trial work is undertaken upon referral from the Bureau of Industry Guidance, to correct practices of industry members who will not comply voluntarily with rules or guides. Investigational results frequently are referred to the Bureau of Industry Guidance for consideration as to whether issuance of rules or guides would be appropriate as the remedy to deal with deceptive practices discovered. Thus a large part of the work of the Bureau of Deceptive Practices is utilized in the initiation, support or administration of rules or guides dealing with industrywide practices.

*Statistical summary, workload and output, Investigation and Trial Divisions*

| | Fiscal year 1964 | Fiscal year 1963 | Fiscal year 1962 |
|---|---|---|---|
| Complaint letters received | 4,523 | 4,562 | 5,519 |
| Complaint letters disposed of | 4,519 | 4,673 | 5,375 |
| Investigations started | 686 | 854 | 897 |
| Investigations completed | 837 | 764 | 788 |
| Complaint drafts approved by Commission | 117 | 146 | 136 |
| Complaints issued | 129 | 129 | 90 |
| Orders to cease and desist issued | 161 | 121 | 176 |
| Assurances of discontinuance | 298 | 234 | 278 |
| Total corrective actions (orders plus assurances of discontinuance) | 459 | 355 | 454 |
| Number of attorneys (yearend) | 52 | 54 | 50 |

The content of formal complaints and orders to cease and desist issued during the year will be mentioned below in discussing the work of each of the investigation and trial devisions; i.e., the Division of Food and Drug Advertising, the Division of General Advertising, and the Division of General Practices. In all three of the aforementioned investigation and trial divisions, the problem of delay is acute. The current backlog of 1,208 investigations represents about 16 months' work for present staff, estimating that this staff, even with management improvements that have been and can be effected will complete about 900 investigations per year. (Investigations completed in the past 5 fiscal years, 1960–64, numbered 819, 896, 788, 764, and 837, respectively, an average of 821). Experience indicates that more than 50 percent of the investigations involve practices which will require corrective action. The content of the 298 assurances of discontinuance obtained by the 3 divisions to terminate investigations during the year is summarized, by commodity group and type of violation, in the chart on the following page.

Mr. EVINS. You list some of your projects and plans. They cover practically everything you can think of. You run the whole gamut.

BROADCAST MONITORING

Then there is broadcast monitoring. Tell us what you do in this area.

Mr. DIXON. As we reported to you heretofore, we are continuing our monitoring program. A portion of our staff is engaged in this.

Mr. EVINS. The Federal Communications Commission does not do this work?

Mr. DIXON. Not from this standpoint of advertising.

Mr. EVINS. During the fiscal year 511,845 radio and TV commercial scripts and 267,000 pages of printed material were reviewed. That is a lot of reading.

Mr. DIXON. That is right.

Mr. THOMAS. What about the running fight between Bufferin, Anacin, and aspirin?

Mr. DIXON. We have been going up and down the little street ourselves.

Mr. THOMAS. And all these cold remedies. How much money are you spending on printing, binding, and monitoring? What does this run into in dollars a year?

Mr. DIXON. This is sent in to us in printed form and it is reviewed, or scanned and observed.

Mr. THOMAS. Who is "they"?

Mr. DIXON. The networks—radio and television stations. Magazines come to us, newspapers come to us.

Mr. THOMAS. You have your own printing bills.

Mr. DIXON. We don't print it.

Mr. THOMAS. Don't you publish the net results?

Mr. DIXON. No.

Mr. THOMAS. No printing bill?

Mr. DIXON. Not unless we question it. Then we go through the regular procedure.

Mr. EVINS. You take the raw script and your staff reviews it. If there is anything questionable you reproduce it?

Mr. DIXON. Then we go more deeply into it. No reproduction or printing is involved.

Mr. JONAS. Do you use the same people for that who scan newspaper advertising?

Mr. DIXON. Yes.

Mr. JONAS. Do you subscribe to every newspaper published in the United States?

Mr. DIXON. No, sir. We subscribe to very few. Most of them are sent to us on request.

Mr. JONAS. Who?

Mr. DIXON. The publishers, radio and TV stations.

Mr. JONAS. You say you scan all radio and television advertising material in depth. All of it?

Mr. DIXON. On the big networks.

Mr. JONAS. Not local stations?

Mr. DIXON. Local is done on a sampling basis.

Mr. JONAS. Spot checks?

Mr. DIXON. Yes.

Mr. JONAS. How about newspaper advertising?

Mr. DIXON. We have the principal newspapers and again there are spot checks.

Mr. EVINS. Competitors in the industry are the best regulators to keep the Commission alert on practices, are they not?

Mr. DIXON. That is right. They are the best staff members we have—businessmen and consumers.

Mr. EVINS. Anything that comes up in advertising that you have not heard about they are aware of.

Mr. DIXON. The competitor is the first one who notes it. If he considers it unethical, unless he joins him, or we cannot straighten it out, we hear it second.

### ADVERTISING OF COUGH AND COLD REMEDIES

Mr. THOMAS. How about some of these cough and cold remedies? Doctors say some of them are no good.

Mr. SWEENY. We are working with Food and Drug on that right now and trying to develop a program of control.

Mr. DIXON. Mr. Chairman, I think here you have this—your doctor might say "This is no good. Everybody knows that." However, when these tremendous proprietary companies come out with one of these programs usually they have given it pretty careful attention, to the point of having some very reputable, or at least some very expensive medical tests. They will have clinical tests.

For you to come out and say you don't believe it, that is so much hooey. You have to say "We accuse you that this is false, because * * *." You will have to have——

Mr. THOMAS. Their words are carefully chosen, too. Words do not say much but the implication is there and that is serious.

They do not tell you they will cure colds. They will have some phony nasal graph. If it opens your head for 2 minutes I guess that satisfies what they say in the script and in the paper.

ADVERTISING OF ADVANTAGE OF FILTER CIGARETTES

Mr. EVINS. Most confusing is whether you should have filters in cigarettes or not. Some say it is good and some not.

Has the Commission made a determination here?

Mr. DIXON. They once got everybody to make some kind of agreement, and then they started off on another course.

I don't think the Commission has a right to do anything unless there is a reason to believe it is wrong. Suspicion is not enough.

I think we have to have enough evidence.

Mr. EVINS. Where do you draw the line between puffing and false advertising?

Mr. DIXON. It would be difficult. If you made an automobile and said "The Evins automobile is the best one on the road," that is puffing.

If you said "The Evins automobile will give you more gas mileage than any other automobile on the road," that is a statement of fact and you had better be able to prove it.

COMMISSION'S JURISDICTION IN THE INSURANCE FIELD

Mr. EVINS. Turning to insurance, what are you doing? Mail order sale of insurance is still serious you say on page 89. A program has been established to refer complaints within the responsibility of the State insurance commissioners to them for appropriate action.

What is the situation with respect to insurance companies?

Mr. DIXON. Public Law 15 was passed after the *Southeastern Underwriters* case was determined to be the law, saying that insurance was in interstate commerce, so that precipitated all the activities of insurance companies within the scope of antitrust laws.

Public Law 15 was passed and that was sort of a moratorium for a while.

With respect to the Federal Trade Commission it was ultimately determined we do not have jurisdiction unless a State has no law at all.

Mr. EVINS. If there is a false claim on group hospitalization and insurance policies you cannot proceed against them?

Mr. DIXON. We can in a limited way. If it is registered in one State and all the sales are made through the mail and radio advertising, we can reach it, but if it is registered in all 50 of the States and there is a way for each of the respective States to move against somebody who had aggrieved cause against a company, licensed to do business is the proper phrase, if they are licensed to do business in these 50 States, then they are regulated within the Public Law 15.

Mr. EVINS. If you find you cannot proceed against faulty advertising in relation to group health insurance you refer that matter to the commissioner of insurance in the respective States?

Mr. DIXON. That is all we can do. When the Supreme Court ruled on Public Law 15 in the *American Hospital* case they delineated what the law meant.

Mr. EVINS. I notice several large advertisers, seven companies, have given the Commission assurance of discontinuance of advertising practices in the insurance field.

Would you be able to voluntarily take jurisdiction when you knew you didn't have jurisdiction in fact and law?

Mr. DIXON. We have mail-order and radio advertising. There is one thing a State cannot do, they cannot go after the mails and the air. We have a lever here.

PROTECTION OF CONSUMER INTEREST—GENERAL ADVERTISING

Mr. EVINS. You list a great number of fields in which you operate. We shall insert some of these in the record with respect to general advertising.

Insert page 88 and page 89. Also insert pages 90, 91, 92, and 93 in the record.

(The pages follow:)

DIVISION OF GENERAL ADVERTISING

This Division has the principal responsibility for the evaluation, investigation, and trial of all instances of false and misleading advertising other than that involving food, drugs, medical devices, cosmetics and health products. In addition, this Division has responsibility over certain matters involving economic deception in food advertising.

Instances of possible improper advertising are examined in line with Commission policy, to determine if the alleged improper advertising is an industrywide practice. If it appears that the practice is industrywide or widespread, rather than seek correction via a case-by-case approach, consideration is given to the feasibility of utilizing the rule and guide making procedures of the Commission.

Where preliminary consideration discloses the necessity of further inquiry, either for industrywide or individual case handling, investigation is instituted. Depending on the nature of the practice and the estimated ultimate disposition, the matter will be investigated by ordinary correspondence, by the use of demand for a corporation to file a special report under section 6(b), or by referral to the Bureau of Field Operations. The correspondence method is extensively used at the outset of investigations to afford proposed respondents an opportunity to utilize section 1.21 of the Commission's rules of practice for voluntary compliance by furnishing an assurance that the questioned practice has been or promptly will be discontinued without intent to resume.

Where preliminary consideration or subsequent investigation discloses widespread or industrywide improper practices, this Division works closely with the Bureau of Industry Guidance in developing the requisite background information and ultimately formulating rules or guides to seek voluntary elimination of the questioned practices on a broad scale.

Where voluntary procedures are inappropriate or ineffective, and the indicated deception is substantial, formal complaint is utilized. The Division staff is responsible for the preparation of all pleadings, participation in consent negotiations where the proposed respondent elects such procedure, and presentation of the case to hearing examiner and ultimately the Commission on appeal.

The Division of General Advertising took significant action in the following important areas during fiscal year 1964:

*Insurance*

The mail-order sale of insurance continues to be a matter of great interest and emphasis. The courts, having determined that the Commission does not have jurisdiction over insurance companies which operate through agents licensed in the several States, a program has been established to refer complaints within the responsibility of State insurance commissioners to them for appropriate action. With the increased recent public interest in health and other types of insurance, our surveillance and activity in the area has been expanded to protect the persons to whom mail-order insurance advertising is primarily directed, many of whom are the least able to expend money without a full understanding or with a misunderstanding of the benefits to be obtained. Advertising in this area is particularly significant because the purchase and subsequent reliance on mail-order insurance is based essentially on advertising. During the fiscal year 1964, a formal order to cease and desist was issued against one of the larger advertisers; 7 companies have given the Commission assurances of discontinuance of questioned advertising; and 17 other investigations are still being processed. In addition, over 100 complaining members of the public have been furnished with the name of the insurance commissioners within their State having jurisdiction over said companies.

*Land sales*

The booming economy has caused a substantial growth of interest in vacation and retirement homes. As a result of this, a large business in the sale of land by mail has arisen. With the purchase of land in distant places by mail, physical inspection of the premises by the purchaser is rare. Advertising usually furnishes the principal information on which his decision to purchase is made.

Over 20 investigations of land sale programs were instituted.

As this area involves use of the mails, liaison with the Post Office Department and Department of Justice has been maintained, with the Commission acting where the investigations disclose impropriety but in an insufficient degree for prosecution under the postal fraud or fraud by wire statutes. Two formal complaints were issued, with further proceedings then being suspended to accommodate criminal prosecution by the Post Office Department and Department of Justice. A formal consent order to cease and desist from improper representations has been obtained against another firm; and another is in consent order negotiations.

*Books and magazines*

Investigations disclosed the use by approximately 20 major publishers and mail-order sellers of books and magazines of misleading advertising as to terms and conditions of sale. Consent orders to cease and desist have been obtained against 14 of them; another file was closed, based on assurances of discontinuance under the voluntary compliance procedure, and three matters are now pending consent disposition.

*Food freezer plans*

This Division recently was assigned responsibility for cases involving home food freezer plans. These matters involve economic deception with respect to the price the purchaser must pay and the savings to be realized. Three cases have been closed on assurances of discontinuance under the voluntary compliance procedure; 3 closed for other reasons; and 12 additional cases are being investigated in the Bureau of Field Operations. Seven cease-and-desist orders were obtained earlier in the year by the Division of Food and Drug Advertising.

*Adhesives for home and hobby use*

A substantial number of complaint matters involving misrepresentation of the capacity, capabilities and characteristics of various adhesives and glues primarily designed for home and do-it-yourself repairs have been received. This industry has grown by leaps and bounds since the introduction of epoxy adhesives for general use shortly after World War II. Formal orders to cease and desist have been issued in three cases; however, in view of the wide-spread nature of this alleged misrepresentation, industrywide investigation is now in progress with a view of eventual promulgation of rules or utilization of other broad corrective measures.

*Commodity futures management service*

At the request of the Department of Agriculture, investigations were conducted of three sellers of services in connection with the purchase and sale of commodity futures. This involved misrepresentations made in advertising with respect to profits that could be realized from commodity futures trading. This is an area over which at the present time no other Government agency has jurisdiction. As a result of the investigation, two formal orders to cease and desist have been issued and a third matter is being investigated.

*Liquidation and salvage advertisers*

Numerous consumer complaints have been received about large nationwide mail advertising by a group of concerns representing that they are liquidating stocks or selling distress merchandise at substantial reductions from the actual value. As this area involves the use of the mails, liaison with the Post Office Department has been maintained with the Commission taking action where the investigation discloses impropriety, but an insufficient degree for prosecution under the postal fraud statutes. Ten investigations are in various phases of processing, some being held in abeyance pending the outcome of Post Office Department action.

*Earn-at-home opportunities*

Twenty investigations of the advertising of opportunities for earning money at home are being conducted. Other similar advertising is being monitored and evaluated. This type of advertising, if false, is particularly bad for it is directed primarily to housewives and unemployed persons, purporting to offer opportunities to earn substantial sums of money at home. In fact, many of these offers are nothing more than "gimmicks" soliciting money from those least able to pay, offering alleged training and information which is no real value as an earning opportunity.

*Gasoline advertising*

A preliminary study was instituted of possibly false advertising of the unique and distinctive qualities of automotive gasoline by the major petroleum marketers. The study included a monitoring of all gasoline advertising with the view of determining if the petroleum markets were claiming their respective branded gasoline products were unique or superior to all others, while, at the same time, selling the identical product under other brand names or supplying it to competitors under exchange agreements. The results of the study have been referred to the Bureau of Industry Guidance with the view of possible rules for industrywide treatment of the problem.

*Tire advertising*

In conjunction with the Commission's Bureau of Industry Guidance, a study has been undertaken of advertising by the major rubber companies in the field of replacement tires for private vehicles. This study discloses the existence of extensive use of confusing advertising as to tire qualities, safety, and characteristics. This is an area of tremendous public interest with the continuing expanding sale of automobiles and the growing highway system encouraging travel by private vehicle.

Several bills have been introduced in Congress as well as in State legislative bodies with the view of establishing safety and/or quality standards for tires. The entire problem of tire advertising and tire safety and quality is being studied to determine if Commission action in this area is necessary or desirable. Eventual action in this area, if found necessary and feasible, will be on a broad industrywide basis.

*Dangerous products*

In actions during the year involving possible danger in use of products, the Commission—

Ordered the maker of a toy punching bag device, which fitted near the eyes, to cease claiming that it would be safe to use or free from hazard, and also ordered revision of the labeling to disclose that the visor or eyeshield might break or shatter and thereby cause injury to the eyes or face of the user (Docket 8567).

Ordered the seller of a swimming aid to cease claiming that it would render the wearer unsinkable and would enable him to perform like a champion swimmer.

*Clothing and shoes*

Three operators of chains of clothing stores were ordered during the year to cease using the word "Mills" as part of their names, to imply that they own or operate mills or factories in which their goods are produced.

Another order prohibited a distributor of ladies' lingerie from falsely advertising that the products were made in France or were designed, styled, or created by a French couturier.

A manufacturer of men's hats was ordered to cease misusing the terms "Milan," "Genuine Milan," and "Imported Milan" to designate hats not made in Italy, and not made of wheat straw. The hats were made of hemp, grown and processed in countries other than Italy.

The operator of a chain of department stores was stopped from claiming that men's suits being offered at attractive prices were from the stock of famous-name shops, when the suits were not the same merchandise as that stocked by the famous shops.

One of the Nation's largest shoe manufacturers was ordered to cease claiming that its shoes were "U.S. Navy" shoes when they had not been made for the Navy or in accord with Navy specifications.

*Household appliances, furniture, and equipment*

In at least eight cases use of deceptive prices and misleading guarantees were the most common practices requiring corrective attention in the advertising of home appliances, bedding, and furniture. For example, a manufacturer of cooker-fryers agreed to cease using "suggested retail prices" which were not bona fide estimates of actual retail prices, and from representing that the product was unconditionally guaranteed for 2 years when the guarantee was subject to undisclosed conditions and limitations. One chain of furniture stores was prohibited from falsely representing itself as a manufacturer and as selling direct from the factory and another was stopped from falsely representing its merchandise as "railroad salvage" when sale of salvage merchandise did not constitute an appreciable portion of the business.

Use of false and misleading health claims, including deceptive use of the term "orthopedic," was prohibited in mattress advertising.

Use of bogus "credit" certificates and deceptive allowances toward purchase of sewing machines was prohibited.

Four concerns selling electrical appliances and other merchandise through mail-order catalogs were ordered to stop representing that they sell at wholesale prices.

*Consumer finance*

In June 1964, the Commission accepted consent order to stop a so-called debt consolidation concern from claiming that it consolidates debts, since it acts only as an agent distributing money which the client supplies, for which a service fee is charged. The concern also is prohibited from claiming that the client will be assured of delay, restraint, or forbearance on the part of creditors. This is a first-of-its-kind case, the principles of which should go a long way toward protecting low-income people from being deceived by concerns which hold out false hopes of help in solving problems of excessive debt.

GENERAL PRACTICES

Mr. EVINS. Also insert pages 94, 95, and 96 with respect to "General practices."

(The pages follow:)

DIVISION OF GENERAL PRACTICES

The responsibility of the Division of General Practices extends generally to misbranding of products, oral misrepresentations, and any acts and practices which are alleged to be deceptive under section 5, Federal Trade Commission Act for reasons other than the falsity of printed advertising.

*Investigations leading to industry-guidance action*

In its consideration and investigation of complaints involving alleged unfair and deceptive practices by particular companies, the Division seeks to determine whether practices of the kind complained of may be employed also by com-

petitors and may be so prevalent as to warrant resorting to the Commission's industrywide procedures. The Division's efforts disclosed apparent widespread violations in certain areas and were in large measure responsible for the initiation of proceedings which culminated in the promulgation of a Commission trade regulation rule relating to the deceptive advertising and labeling as to the size of tablecloths and related products, in the promulgation of a trade regulation rule relating to misbranding and deception as to the leather content of waist belts, in the promulgation of trade regulation rule relating to deceptive advertising and labeling of previously used lubricating oil, and, finally, in the initiation of a trade practice conference proceeding looking to the promulgation of trade practice rules for the phonograph record industry.

*Faulty odometers*

A study was made of charges that American car manufacturers are equipping their cars with inaccurate odometers which consistently overregister mileage, and that as a result, the public must pay inflated and excessive charges when renting cars on a mileage basis from car rental agencies. There is now reason to believe that as a result of the combined and coordinated efforts of the Commission and other interested agencies and the industry, a marked improvement in the accuracy of automobile odometers will be accomplished shortly. This problem of inaccurate odometers has also affected areas other than the car rental field, and its solution should have a significant effect on the consumer economy.

*Deceptive packaging or labeling*

A manufacturer of gift wrapping paper was ordered during the year to cease use of packages which deceptively exaggerated the quantity of paper contained in the packages.

A broad-scale investigation is presently being conducted with respect to possible economic deception in the packaging of food and other commodities. A similar study is also being made of savings claims appearing on the packages of food and other products.

*Cigars*

The Division has completed the first phase of an industrywide investigation and consideration of deceptive labeling practices in the cigar industry, to prevent misrepresentations as to "Havana" or "Cuban" tobacco content in cigars. The principal practice continuing to receive attention is the use of so-called processed cigar components which have the appearance of tobacco, but contain substantial quantities of nontobacco substances, including many of the ingredients employed in the manufacture of paper.

*Secondhand or rebuilt products sold as new*

The sale, as new, of rebuilt products containing reused components has been the subject of continuing consideration. An order was issued requiring a manufacturer of paint brushes to disclose that his brushes are composed in whole or in part of used bristle. Orders were issued against two manufacturers of golf balls, requiring them to disclose that their products are previously used and rebuilt. Investigations involving other manufacturers of rebuilt golf balls are continuing with a view to obtaining similar disclosure orders.

*Home improvement and repair products*

Use of the model home pitch, bogus contests, deceptive referral schemes, bait and switch tactics, fictitious regular prices, misleading guarantees, misrepresentation of interest rates, and false designation of salesmen as graduates of a home improvement academy were among the types of practices prohibited in five cases involving sale of siding, storm windows, awnings, and other home improvement products. Similar charges were involved in three formal cases and several investigations pending at yearend.

In the model home pitch, the prospect is told that he will be given a special discount price if he allows his home to be used to demonstrate the product, and that he will receive a commission of, say, $100, on each sale made as a result of such showings. In the referral scheme, he is promised a commission on sales made to friends, relatives, or neighbors whose names he furnishes; and in the bogus contest, he is told that his home will be entered in a contest to determine which showed the greatest improvement, with winners to be given a prize such as a free trip to a foreign country or a new automobile. The bait and switch technique involves the advertising of an attractive offer, not in good faith, for the purpose of obtaining leads. When prospects respond, the salesman disparages

the advertised product in order to sell more expensive models. Such practices, when false and deceptive, have been condemned by the Commission and the courts.

The Division is conducting an industry-wide investigation of charges that manufacturers of metallic soldiers are misbranding their product as to tin content.

*Correspondence schools*

Orders were issued against three correspondence schools which were misrepresenting earnings and job opportunities to prospective students; other similar matters were being investigated at the yearend.

*Door-to-door selling*

The practices of concerns selling encyclopedias, magazines, and other products, door to door, including the use of questionable special and free offers to so-called selected customers, false claims that the solicitors were part of an educational "institute" or were competing for college scholarships, and false claims that goods offered for sale had been made by blind persons, have been the subject of recent corrective proceedings, and similar practices are being investigated in several other cases.

*Seed grain*

Investigations of concerns selling seed grain to farmers in the Midwest through alleged deceptive advertising and misrepresentation, including alleged false promises that the harvest from the seed would be repurchased by the seed sellers, resulted in the issuance of two formal complaints. One of the proceedings has culminated in a cease and desist order.

*Vending machines—franchises*

Two orders were issued against companies which were found to have misrepresented earnings and profit in connection with their sale of franchises to small businessmen. Orders were also issued against concerns selling vending machines by means of various misrepresentations, included exaggerated earning claims to prospective operators of vending machine routes.

*Watches*

Several orders were issued against watch companies prohibiting fictitious pricing of watches, misbranding of watch cases, and false and deceptive advertising as to jewels and guarantees.

*Collection practices*

The Division has also given its attention to questionable practices in the area of debt collection, including the use by collection agencies of forms simulating legal documents and use of trade names suggesting that they are legitimate credit agencies or are affiliated with some branch of the Government. Correction in this area has been accomplished both by formal proceedings and through the Commission's voluntary compliance procedures.

DIVISION OF COMPLIANCE

Mr. EVINS. We will also insert pages 97 and 98 on the compliance division.

(The pages follow:)

DIVISION OF COMPLIANCE

This Division has the continuing responsibility of obtaining and maintaining compliance with cease and desist orders issued to prevent false and deceptive trade practices under sections 5 and 12 of the Federal Trade Commission Act.

The Division is charged with the monumental task of overseeing the manner of compliance in the case of each and every order having to do with false and deceptive trade practices which has been issued since the creation of the Commission. The activation of orders issued 25 to 30 years ago is not uncommon.

Newly issued orders require each respondent to submit a written report supported by relevant documentary material demonstrating the manner and form of compliance with the order. Conferences with respondents and their attorneys are frequently required, together with considerable follow-up correspondence. In many cases the Commission, on the recommendation of the Division, directs that reports be augmented by supplemental reports or investigations.

Complaint letters and other indicia of possible order violations, including advertisements observed in the Commission's continuing survey of published and broadcast advertising, are evaluated and a detailed request for field investigation is initiated when it appears that violations have occurred.

Frequently, respondents request prior Commission clearance as to whether proposed advertising and other promotional programs accord with requirements of the Commission's orders. After conferences and perhaps an exchange of clarifying correspondence, the matter is evaluated and then reported to the Commission with recommendation. Under the Commission rule pertaining to compliance matters, any respondent subject to an order may request and receive advice from the Commission as to whether a proposed course of action will constitute compliance.

Once an order to cease and desist has been issued all correspondence of general complaints and inquiries are referred to this Division for action. Such complaints and inquiries frequently refer to orders issued many years ago. In many instances a satisfactory reply requires the staff attorney to examine all appropriate files of the particular case.

Attorneys of the Compliance Division regularly confer and consult with members of other divisions of the Bureau regarding the meaning and effect of proposed orders prior to the submission of a proposed compliant and order to the Commission.

Very frequently compliance attorneys are requested to participate in conferences with members of the staff of the Division of Consent Orders concerning future compliance requirements of orders under negotiation.

*Civil penalty enforcement proceedings for fiscal 1964*

When a report of a requested investigation contains provable violations of an order to cease and desist the staff attorney examines the usually voluminous record and, if indicated, drafts a complaint and supporting trial memorandum, which is certified by the Commission to the Attorney General of the United States for transmittal to the appropriate U.S. attorney. This process of certification usually consumes considerable time of interested staff members. In the vast majority of the cases referred by the Department of Justice to the various U.S. attorneys, members of the Division's staff are requested to prepare pleadings and take depositions for use in the trial of the case. In many instances the staff attorney assumes the full burden of litigation. In those cases where the defendants avail themselves of the full advantage of discovery and other pleadings under the Federal rules of civil procedure, a staff member may very likely be available for more routine functions for an undetermined period of weeks or months.

During fiscal 1964, penalties totaling $69,500 were recovered. In addition, three injunctions requiring future compliance with Commission orders were obtained.

Penalty statistics are as follows:

| | |
|---|---|
| Pending July 1, 1963 | 30 |
| Filed during year | 4 |
| Total for disposition | 34 |
| Disposed of during year | 15 |
| Pending June 30, 1964 | 19 |
| Certified, not yet filed | 3 |

## Bureau of Textiles and Furs

Mr. Evins. We shall turn to the Bureau of Textiles and Furs. Insert pages 101 and 102. We are all familiar with this Bureau. Also insert 103 through 106.

(The pages follow:)

*Bureau of Textiles and Furs*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Director | 21 | $137,000 | 21 | $137,000 | | |
| Division of Enforcement | 14 | 169,000 | 14 | 169,000 | | |
| Division of Regulation | 61 | 560,000 | 61 | 560,000 | | |
| Total personal services | 96 | 866,000 | 96 | 866,000 | | |
| Travel | | 51,000 | | 51,000 | | |
| Other expenses | | 5,000 | | 5,000 | | |
| Total | 96 | 922,000 | 96 | 922,000 | | |

*Personnel as of Dec. 31, 1964*

| | Total | Attorneys | Field investigators | Clerical |
|---|---|---|---|---|
| Professional: | | | | |
| GS-17 | 1 | 1 | | |
| GS-16 | 1 | 1 | | |
| GS-15 | 6 | 6 | | |
| GS-14 | 6 | 6 | | |
| GS-13 | 6 | [1] 4 | 2 | |
| GS-12 | 10 | 2 | [2] 8 | |
| GS-11 | 24 | 3 | 21 | |
| GS-9 | 7 | [3] 2 | 5 | |
| Stenographic and clerical | 33 | | | 33 |
| Total | 94 | 25 | 36 | 33 |

[1] 1 investigator
[2] 1 attorney and 1 technologist.
[3] 1 technologist.

NOTE.—Total annual salaries, $863,610.

## BUREAU OF TEXTILES AND FURS

The Bureau is charged with the administration and enforcement of four separate and important pieces of consumer legislation: The Wool Products Labeling Act of 1939, the Fur Products Labeling Act of 1951, the Flammable Fabrics Act of 1953, and the Textile Fiber Products Identification Act of 1958.

The Wool, Fur, and Textile Acts each require affirmative labeling disclosures. The Fur Act further requires affirmative invoicing, while disclosures made in the advertising under the Fur and Textile Acts are regulated. The Flammable Fabrics Act prohibits the introduction or movement in interstate commerce of dangerously flammable wearing apparel and fabrics intended for use therein.

The statutes administered by the Bureau of Textiles and Furs need constant policing in order to be certain manufacturers are setting forth the true fiber contents of their wool and textile goods and to guard against the misbranding of furs and fur products. Further, wholesalers and retailers must be visited constantly to insure they are not removing or mutilating required information on their merchandise and to check on their invoicing and advertising practices. The policing of the thousands of textile and fur manufacturers and the hundreds of thousands of distributors is a Herculean task as the value of wearing apparel, household furnishings and fur products runs into many billions of dollars per year. To the consuming public the outlay for these items partakes of a sizable share of the family budget.

The past decade has witnessed a tremendous increase in the importation of fabrics and garments from Europe and the Far East. These goods are made in mills and factories beyond the jurisdiction of the Federal Trade Commission and the manufacturing records are not available for our inspection. Therefore, to enforce the labeling laws and to determine if the labels disclose the true fiber contents, the Commission through the Bureau of Textiles and Furs has worked

closely with the Bureau of Customs and has made thousands of tests of imported goods.

The textile fiber field is growing at a fast pace which makes it necessary for the Bureau of Textiles and Furs to constantly review the need for changing regulations to conform to new conditions in the industry. During fiscal year 1964 a change was made in the regulations under the Flammable Fabrics Act and amendments were made to 21 of the regulations under the Wool Products Labeling Act. Rewriting or amending regulations takes many man-hours for research, conferences, rule construction, and the necessary public hearings. During this same period there were two applications to establish new generic names for manmade fibers. Like rulemaking, many hours must be put into research to determine whether such applications should be favored or opposed.

Over 39,000 registered identification numbers have been issued under the Wool, Fur, and Textile Acts for identification purposes in connection with the required labeling of products subject to these statutes. In addition a public register is maintained containing thousands of continuing guarantees filed with the Commission under these four acts.

The Bureau plans and supervises a large nationwide compliance, inspection, and industry-counseling program in its administration of these consumer laws. It furnishes expert legal and technical advice regarding the requirements of the laws and their respective rules and regulations. It renders opinions and interpretations to industry and the consuming public under the various statutes. An effective educational and orientation program is carried on in an effort to acquaint industry with the requirements of the laws and with consumers regarding the benefits of the legislation.

Every effort is made to maintain voluntary compliance with the laws without the need of costly litigation. However, when circumstances indicate voluntary compliance cannot be obtained or that violations appear deliberate an effective and firm enforcement program leading toward the issuance by the Commission of cease and desist orders is followed.

The Textile Fiber Products Identification Act has been in effect since March 3, 1960, and it is most necessary that a highly effective enforcement program of this important legislation be carried on. The scope of the Textile Act is far broader than the combined scope of the other three pieces of consumer legislation administered by the Commission. Generally speaking, the act extends to all textile transactions throughout the United States and its territories. From past experience under the Wool, Fur, and Flammable Fabrics Acts the first few years are the most difficult in administering an act of this type and this Bureau is still assisting the textile industry to get its house in order.

In addition, the Bureau handles the compliance of all orders to cease and desist under these acts. The Commission now has outstanding nearly 1,000 cease-and-desist orders against concerns charged with violating the Wool, Fur, Textile, and Flammable Fabrics Acts.

These important functions are carried out under the direction of the Bureau Director by two divisions, the Division of Regulation and the Division of Enforcement.

### OFFICE OF THE DIRECTOR

The Office of the Director of the Bureau of Textiles and Furs includes the Bureau's stenographic pool consisting of 15 stenographers and typists.

No increase in funds is being requested for fiscal year 1966.

### DIVISION OF ENFORCEMENT

The responsibility for investigation and disposition of serious violations of the Wool, Fur, Textile, and Flammable Fabrics Acts rests with the Division of Enforcement. Violations of a nature serious enough to warrant issuance of a complaint are prosecuted by the trial attorneys in this Division. A compliance section within the Division polices the cease-and-desist orders issued under each of these acts.

When a matter is referred to this Division, it is assigned to a trial attorney who thenceforth has the responsibility for this matter and is required to initiate the necessary action. He initiates and guides any investigation designed to uncover the facts; he analyzes such facts and determines whether to recommend closing the matter or issuance of the complaint. If complaint is issued, the trial attorney assumes responsibility for all litigative phases of the matter before the

Commission. In addition to the above the trial attorney may in connection with an assigned matter:

(*a*) Assist the Office of Consent Orders in settlement negotiations when a consent agreement is offered the respondent.

(*b*) Recommend where necessary injunction or condemnation proceedings and upon approval handle the matters in the U.S. district courts.

(*c*) Recommend, where justified, criminal prosecution and, upon approval, prepare the necessary trial memorandums, forms of information, and other essential papers. Lastly he may assist the Department of Justice and the U.S. attorneys in the prosecution of the matter.

Attention is called to the fact that in most instances the consuming public is the direct beneficiary of the efforts of this Division since most of the cases processed by it, under all acts it administers, except the Flammable Fabrics Act, involve misrepresentation to the consuming public of the contents or characteristics of wool, fur, or textile products. The Flammable Fabrics Act is a public safety statute and the enforcement of this act directly protects the lives and property of the consumers.

During the past year special attention was given to the enforcement of the Flammable Fabrics Act. A routine inspection of a New York dress manufacturer uncovered possibly flammable material being used in cocktails and evening dresses. A sample of this fabric was obtained and subsequent tests in the Commission laboratory proved the material to be dangerously flammable. Following this the Division of Enforcement took action which resulted in the issuance of 8 cease-and-desist orders against importers and distributors of this fabric and the acceptance of "affidavits of discontinuance" of the use of this material from 105 garment manufacturers and the removal from the market of millions of yards of dangerously flammable fabrics.

Increasing attention was paid during fiscal year 1964 to the importation of misbranded fabrics which, in addition to being a fraud on the consuming public, placed domestic procedures of similar fabrics who were already suffering from foreign manufacturing competition, in a further unfavorably bargaining position. In this regard specific attention was given to the importation of misbranded "mohair" sweaters. Many of these sweaters represented as containing high percentages of mohair were actually found to contain considerably less. The action of this Division resulted in thousands of dozens of these misbranded items being withheld from the American market.

Attention to details and to methods of operation have enabled this Division to increase its effectiveness during the past year, as indicated by the fact that this Division disposed of some 266 matters last year as opposed to 126 the previous year.

The Division of Enforcement also includes the Commission's testing laboratory which during fiscal year 1964 made 416 fiber content analyses of fabrics and fibers, conducted 484 burning tests under the Flammable Fabrics Act and 92 tests of fur fibers to determine if dye, bleach, or other artificial coloring had been added to the furs.

During fiscal year 1964, the Division of Enforcement attorneys processed 266 cases either by the issuance of an order, a recommendation for complaint or by a closing recommendation. Thus, each trial attorney concluded an average of 44.5 cases during the year or an average increase of 6 cases per attorney.

During fiscal year 1964, the Commission issued 249 deceptive practice cease-and-desist orders. This includes 17 under the Wool Act, 52 under the Fur Act, 9 under the Textile Act, and 10 under the Flammable Fabrics Act for a total of 88 cases. The Bureau of Textiles and Furs accounted for 35 percent of the deceptive practice orders issued by the Commission during the period.

The compliance section of the Division, a staff of three attorneys, obtains compliance with cease-and-desist orders of the Commission as they are issued under the four statutes administered by the Bureau, directs and analyzes investigations of alleged violation of orders, and where circumstances demand, refers through the Commission such violations as warrant proceedings for civil or criminal penalties in the Federal district courts.

## Bureau of Field Operations

Mr. Evins. Turning now to Field Operations, you show no increase and the appropriation is not increased.

We shall place in the record the table on page 110.

(The table follows:)

*Bureau of Field Operations*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Director | 6 | $84,000 | 6 | $84,000 | ---- | ---- |
| Field offices | 256 | 2,401,000 | 256 | 2,401,000 | ---- | ---- |
| Total personal services | 262 | 2,485,000 | 262 | 2,485,000 | ---- | ---- |
| Travel | ---- | 270,000 | ---- | 270,000 | ---- | ---- |
| Total | 262 | 2,755,000 | 262 | 2,755,000 | ---- | ---- |

Mr. Evins. Field operations were discussed this morning. You have 11 branch offices.

You show 253 personnel as of December 31, 1964. How many will you put in branch offices?

Mr. Dixon. We don't propose any increase at all.

Mr. Evins. The field operation——

Mr. Dixon. We have 253 total.

Mr. Evins. They make investigations and report cases. I think 112 through 114 are worthwhile reading.

(The pages follow:)

*Field office employees in the Bureau of Field Operations by grade as of Dec. 31, 1964*

| | Total field | Washington | New York | Boston | Chicago | Cleveland | Atlanta | Kansas City | New Orleans | San Francisco | Seattle | Los Angeles |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Attorney, GS-15 | 21 | 2 | 4 | 1 | 3 | 1 | 2 | 1 | 3 | 1 | 2 | 1 |
| Attorney, GS-14 | 23 | 2 | 6 | 1 | 3 | 1 | 2 | 1 | 3 | 2 | 1 | 1 |
| Attorney, GS-13 | 23 | 4 | 4 | ---- | 4 | 2 | 3 | 1 | ---- | 2 | 3 | ---- |
| Attorney, GS-12 | 46 | 6 | 8 | 6 | 5 | 2 | 2 | 1 | 6 | 3 | 5 | 2 |
| Attorney, GS-11 | 34 | 3 | 17 | 2 | 6 | 1 | ---- | 1 | 4 | ---- | ---- | ---- |
| Attorney, GS-9 | 10 | 4 | 2 | 1 | 1 | ---- | ---- | 1 | ---- | ---- | ---- | 1 |
| Attorney, GS-7 | 2 | ---- | ---- | ---- | 1 | 1 | ---- | ---- | ---- | ---- | ---- | ---- |
| Stenographic or clerical, GS-7 or below | 94 | 14 | 27 | 4 | 9 | 4 | 5 | 4 | 10 | 6 | 6 | 5 |
| Total | 253 | 35 | 68 | 15 | 32 | 12 | 14 | 10 | 26 | 14 | 17 | 10 |

### Bureau of Field Operations

As of December 31, 1964, the Bureau of Field Operations was staffed by 162 attorneys and 97 clerical and administrative personnel, located in its 11 field offices and one suboffice. This is a reduction of 21 from June 30, 1963. Its headquarters office consists of three attorneys and three secretaries. Even with this small and inadequate staff, it is required to perform the entire task of conducting all field investigation work of the Commission for approximately an equal number of trial attorneys located at its headquarters office.

From the very location of the field offices and the caliber of attorneys stationed therein, it is evident that they serve as a focal point to which businessmen in

the respective areas may turn to seek and obtain advice, information, and counseling through which voluntary compliance with the laws of the Commission may be effected, without investigation or without resort to formal proceedings. No exact records have been maintained, but it is estimated that the field offices receive more than a hundred telephone calls and visits from businessmen each day, through which they are able to obtain advice and counseling which should enable them to comply with the laws administered by the Commission with some degree of safety and assurance. Not only are the field offices themselves available to businessmen in the area, but the services of each attorney in these field offices is available wherever, and whenever they are traveling throughout the United States. While none of them may legally bind the Commission to any course of action, their advice and counseling is sought on an almost daily basis by businessmen with whom they are in constant contact. It is apparent that such advice and counseling is invaluable to businessmen located in the area, and enables them to conduct their businesses without fear of violating the trade regulation laws administered by the Commission.

The investigative work inludes the holding of investigational hearings under Commission subpenas and the taking of depositions where needed. Conducting field investigations is only a part of the work required of the Bureau of Field Operations. The attorneys on its staff are also responsible for (a) the negotiation of voluntary settlements of cases where violations of law may appear during a pending investigation, without requiring any formal proceeding against the alleged violator, under rule 1.21 of the Commission's Rules of Practice; (b) the conducting of negotiations for consent settlements during the course of any investigation where the facts, information, and circumstances discovered by the field attorney justify such action, under rule 1.42 of its rules; (c) participation in hearings conducted in adversary proceedings; and (d) acting as trial counsel with primary responsibility in formal proceedings in specifically designated cases, when required to do so by the direction and under the general supervision of the enforcement bureaus. Memorandums and other data requesting investigations are submitted to the Bureau of Field Operations by the enforcement bureaus and the Commission itself. Attorneys on its field staff are required to develop all facts, evidence, and information essential to the proper determination as to whether there have been violations of statutes administered by the Commission, and, if so, the exact nature and extent of such violations. Upon completion of each investigation a recommendation is required of field attorneys, consisting of a summary of facts and law that will enable the Bureaus of (1) Restraint of Trade, (2) Deceptive Practices, (3) Textiles and Furs, and (4) the Commission to determine a proper course of action.

In addition to performing the functions heretofore indicated, the Bureau of Field Operations is required to conduct investigations for the purpose of determining if respondents named in formal cease-and-desist orders already issued by the Commission are complying with the terms and provisions of such orders. Upon receipt of information indicating a probable violation or for the purpose of obtaining evidence of compliance, the enforcement bureaus call upon this bureau to obtain such facts, evidence, and information as will form a substantial basis for determining a proper course of action. If violations are discovered, field attorneys are responsible for acquiring evidence in suitable form for certification to the Attorney General which will provide him with a factual basis for initiation of an action for civil penalties in the U.S. district courts under section 16 of the Federal Trade Commission Act. Evidence suitable for this purpose must be in affidavit form, with supporting documents attached. The enforcement bureaus are constantly increasing the number of requests for compliance investigations, primarily due to the continuously increasing responsibility of the Commission for checking and policing the enforcement of orders to cease and desist entered over a period of years. Many of these orders requiring compliance investigations forbid conspiracies in restraint of trade, such as price fixing, boycott, allocation of territory or customers, and other practices of a trade-restraining nature. These usually entail inquiry into the practices of an entire industry, are time consuming, and require the use of highly skilled manpower. Other compliance investigations involved price discrimination, exclusive dealing and tying contracts, false and misleading advertising, and other practices specifically prohibited by cease-and-desist orders.

*Work performed during fiscal year 1964*

| | |
|---|---|
| Investigations pending July 1, 1963 | 736 |
| New investigations during year | 1,056 |
| Investigations completed | 1,141 |
| Investigations pending June 30, 1964 | 651 |

These investigations involve every law administered by the Commission, and included many requests for compliance investigations. A large number were industrywide in nature, and required field attorneys to obtain facts and evidence from every member of an entire industry. Every industrywide investigation involves extensive use of time and trained manpower. The 1,141 investigations completed during the fiscal year 1964 included 471 in the field of restraint of trade, 655 in the field of deceptive practices, and 15 textile and fur matters.

The 651 cases pending at the close of the fiscal year consisted of 314 cases involving restraint of trade and 337 cases involving deceptive practices and textiles and fur. Utilizing the personnel presently available to the best advantage, it will require approximately 8 months of the fiscal year 1965 to complete the 651 cases now pending.

In fiscal year 1964, attorneys in the Commission's field offices during the process of investigation obtained voluntary assurances from 146 proposed respondents, by which violations of laws administered by the Commission were terminated without formal proceedings. This action resulted in the saving of several thousand man-hours in investigation work alone. Not only did such action result in a direct savings to the Government, but it saved valuable time, expense, and annoyance for the business firms involved. During the same period these attorneys negotiated 71 consent settlements while investigations were still pending. This action eliminated the necessity of completing the investigation of these matters, and resulted in a comparable savings of time, money, effort, and inconvenience. In addition to the foregoing, field attorneys participated in five investigational hearings, and in the trial of eight contested formal proceedings. They also assumed full responsibility for the trial of eight restraint of trade cases.

*Workload in fiscal year 1965*

It is estimated that field attorneys will be called upon to conduct at least 2,000 investigations during fiscal year 1965. This is based upon the existing backlog and rate of receipt of current requests for investigation. Added to the obligations for field investigational work is the responsibility for the disposition of cases at the investigational stage by (1) obtaining voluntary assurance of the discontinuance of illegal practices by administrative treatment; (2) negotiation of consent settlements where litigation is not required; (3) participating in the trial of an increasing number of litigated cases; and (4) assuming responsibility for a limited number of trials.

The necessity for conducting industrywide investigations is expected to increase progressively, since the Commission has initiated a policy of attempting to correct unfair business practices simultaneously throughout an industry, rather than piece by piece on an individual basis. This policy is expected to provide more equitable treatment to members of industry and result in substantially increased benefits to the public.

## Bureau of Industry Guidance

Mr. Evins. You are asking for six additional personnel in the Bureau of Industry Guidance.

Mr. Dixon. That is right.

Mr. Evins. The appropriation increased $51,000. Insert page 116 in the record.

(The page follows:)

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Director | 18 | $126,000 | 18 | $126,000 | | |
| Division of Trade Practice Conferences and Guides | 19 | 241,000 | 19 | 241,000 | | |
| Division of Advisory Opinions | 7 | 116,000 | 7 | 116,000 | | |
| Division of Trade Regulation Rules | 7 | 100,000 | 13 | 151,000 | 6 | $51,000 |
| Total, personal services | 51 | 583,000 | 57 | 634,000 | 6 | 51,000 |
| Travel | | 2,000 | | 2,000 | | |
| Total | 51 | 585,000 | 57 | 636,000 | 6 | 51,000 |

Mr. EVINS. You discussed this morning what you propose to do with these people.

Mr. DIXON. This is the trade regulation rules. As we turn more and more in this direction we need more and more people.

DIVISION OF TRADE PRACTICE CONFERENCES AND GUIDES

Mr. EVINS. Programed for 1965 is a promulgation of rules for fresh fruits and vegetables, phonographic records, iron pipe fittings and unions industries, devise rules for hearing aids, school supplies and equipment, barber equipment and supplies, metal-clad door and accessories.

Mr. DIXON. What page are we on?

Mr. EVINS. Top of page 120. You say trade practice rules were in effect for 169 industries and 11 sets of guides were being administered by the Division. Do you have an application for a trade practice conference for the metal-clad-door-accessories industry?

Mr. DIXON. That is an old set of rules scheduled for revision. I don't think we will do much. That will fade out of the picture.

Mr. EVINS. You already have those rules drawn up?

Mr. DIXON. Old rules.

Mr. EVINS. You are listing a program for 1965.

Mr. DIXON. This is part of our 1965 program.

DIFFERENTIATION BETWEEN RULES AND GUIDES

Mr. EVINS. You mention 169 industries with trade practice rules and 11 sets of guides. Tell us the difference between the rules and guides.

Mr. DIXON. A trade practice rule ordinarily arises at the Commission when an industry as a whole has representatives who come to the Commission and ask us to participate in promulgating rules.

Mr. EVINS. Does the guide apply to the whole industry?

Mr. DIXON. To the whole industry. The difference between the rule and the guide is this: We will work with a partial group of an industry or a very small number, issue a guide. We are telling the staff of the Federal Trade Commission what to do and then give that to the industry for its guidance.

When we issue a trade practice rule we are actually working with the industry members. They amount to about the same thing. It is a difference in approach, in mechanics of arriving at the end product.

Mr. JONAS. In all of these rules you take the position they all have the same force and effect as law?

Mr. DIXON. No.

Mr. JONAS. Do any of them?

Mr. DIXON. They are guides.

Mr. JONAS. You tell them, if you bring an action against a company who is in violation, you do not charge them with violating the rule but violating the statute?

Mr. DIXON. That is right.

Mr. JONAS. So they are really only advisory?

Mr. DIXON. They could be. In our rules and rulemaking, subsection 162, on trade practice rules, there is this sentence:

> The rules interpret and inform businessmen of legal requirements applicable to the practices of a particular industry and provide the basis for voluntary and simultaneous abandonment of unlawful practices by industry members.

If they question it we might note we had such a rule, but we are still charging in the complaint a practice which violates section so and so of the statute.

TRADE REGULATION RULES

Mr. EVINS. You state at the top of page 123 that fiscal year 1964 was the second full year of its operations and the trade regulation rule produced important results in the promulgation of five rules. Two additional sets were promulgated shortly after the close of the fiscal year making a total of seven promulgated since July 1, 1963.

I thought you had been promulgating rules for several years.

Mr. DIXON. Those are the general trade practice rules.

Mr. EVINS. How do they differ?

Mr. DIXON. This is the difference, which I tried to describe this morning: We follow exactly the Administrative Procedure Act here. We give a notice in the Federal Register of our intention.

Mr. EVINS. The proceeding is a little more formal?

Mr. DIXON. It is formal and it puts people on notice and it gives them an opportunity to come, appear in person, or by filing a document.

Mr. EVINS. Do you think these types of rules will be more binding and more effective than under the other procedure?

Mr. DIXON. I do not have any doubt they certainly will. I think that is our purpose of moving in this direction.

Mr. EVINS. Are you going to have to go through all of the other industries in which you promulgated rules which were not announced in the Federal Register?

Mr. DIXON. No, I do not think we will necessarily have to. I think we are getting some pretty good compliance from some of them. Maybe if we find wholesale law violations, we will have to proceed one at a time and might have a general trade rule and bring them up to date and put them on that basis.

Mr. EVINS. In how many industries have you updated the rules, had a second set?

Mr. DIXON. None. All of these are new matters.

Mr. JONAS. I see they are getting into big business now, regulating sleeping bags, tablecloths, and so forth.

Mr. DIXON. I am glad you asked that. I want to show you something, how much this amounts to.

Mr. EVINS. It is a large industry, is it not?

Mr. DIXON. It may surprise you. In the sleeping bag industry there were 53 firms, $15 million worth of sales.

Mr. JONAS. What were they doing that was wrong?

Mr. DIXON. Let's say you were 6 feet—72 inches long, and you said you wanted to buy a 6-foot sleeping bag. About this much of you [indicating from the chest up] would be sticking out. There was a problem as to whether or not they should have a truthful definition.

Mr. JONAS. The man that bought it has a suit in contract. You do not have to have the Federal Government regulate that kind of thing, do you?

Mr. DIXON. They advertised——

Mr. JONAS. That they would sell sleeping bags.

Mr. DIXON. They were advertising sleeping bags by a specific representation that was false.

Mr. JONAS. You mean all of their bags were 6 feet?

Mr. DIXON. They were measuring them before they sewed them up. It is like being quicksheeted in bed in a dormitory.

Mr. JONAS. And on investigation you found it was deliberate?

Mr. DIXON. Is was what the industry followed.

Tablecloths, 40 firms in that. That was $12 million.

Binoculars, 129 firms, $10 million. We could have had a case apiece with each one of these.

Mr. JONAS. What does the rule say on sleeping bags—that the industry must always fill orders as they are entered? When a man orders a 6-foot sleeping bag he must be given one?

Mr. DIXON. That they would have to disclose the true inside dimensions of the sleeping bag, the finished size. It is just that simple. Just tell the truth.

Mr. EVINS. Deceptive advertising and labeling of cigarettes. What did you do in this?

Mr. DIXON. I want to get into the other areas.

Leather belts, 226 firms, $83 million.

Dry cell batteries, 22 firms, $117 million.

Cigarettes, $2 billion.

Mr. EVINS. We will place in the record pages 123 and 124.

(The pages follow:)

DIVISION OF TRADE REGULATION RULES

WORK PERFORMED DURING FISCAL 1964 AND WORKLOAD FOR FISCAL 1965

In fiscal year 1964, the second full year of its operation, the trade regulation rule program produced important results in the form of five promulgated rules. Two additional rules were pomulgated shortly after the close of the fiscal year, making a total of seven rules promulgated since July 1, 1963. The rules promulgated were on the following subjects:

1. Deceptive advertising and labeling of cigarettes;
2. Misrepresentation of dry cell batteries as "leakproof";
3. Deception as to the leather content of belts;

4. Misrepresenting nonprismatic or partially prismatic instruments as binoculars;
5. Deceptive advertising and labeling of previously used lubricating oil;
6. Deception as to the size of sleeping bags; and
7. Deception as to the size of tablecloths and related products.

The fiscal year also saw the disposition of several other matters without resort to rulemaking procedure. One such matter concerned the use of racing results in automobile advertising without disclosing that the so-called stock cars accomplishing these results had special equipment or features not found on automobiles purchased by the public. On the basis of assurances received that appropriate disclosure would be made in this type of advertising, the matter was disposed of without the necessity of promulgating a trade regulation rule.

After staff studies in six other matters, it was concluded that trade regulation rule proceedings in such matters were not feasible.

Trade regulation rule proceedings on other subjects are in various stages of completion. Public hearings have been held on proposals relating to use of the word "automatic" as descriptive of electric sewing machines; deception as to the light output, wattage, and life of incandescent electric light bulbs; and the use of names suggesting foreign origin to describe cosmetics and toilet preparations not made wholly in a foreign country. Hearing on a proposed rule regarding deception as to size of television picture tubes has been scheduled and notice thereof published in the Federal Register.

Among other proceedings which were receiving attention in early 1965 are those relating to the following practices: alleged discriminatory pricing practices in the marketing of gasoline; mergers in the cement industry; unlawful advertising allowances in the luggage industry; mergers in the automatic vending machine industry; deception in the marketing of automobile tires; so-called double billing on the part of advertising media which enables the retailer to submit a larger bill to his supplier for advertising than is actually paid; misuse of the terms "shockproof," "waterproof," and similar designations to describe watches, watch cases, and watch movements; and use of the word "Mill" in the trade or corporate name of a company which does not engage in manufacturing operations.

In its petition for the initiation of a trade regulation rule proceeding in the gasoline industry the Mid-Continent Independent Refiners Association made the following statement as to the need for such proceeding:

"To the independent refiner the issue is one of survival; to endure he must be protected from the anticompetitive effect of discriminatory pricing in violation of law. As we have described above, the promulgation and enforcement of our proposed trade regulation rule, which restates with particular application to the marketing of gasoline the existing requirements of law, could well provide the solution to the marketing problems that have crippled this segment of the petroleum industry."

The problem of mergers in the automatic vending machine industry is of considerable significance, as is the granting of unlawful advertising allowances by luggage manufacturers.

The other pending matters vary only in the degree of their importance to the industry concerned and to the public.

### NEED FOR ADDITIONAL PERSONNEL

As indicated above, the staff of the Division is being called upon to carry an increasingly heavy workload of matters of considerable complexity and importance to the economy. (Fourteeen matters are now pending.) While the impact of these pending proceedings will likely be much greater than the earlier trade regulation rules, the staff time consumed in their preparation and development will be correspondingly greater, as it is necessary to conduct extensive studies of the problems involved, both from a legal and a technical standpoint, before a proceeding is initiated.

### COMPLIANCE FUNCTIONS IN OPERATING BUREAUS

Mr. EVINS. Mr. Chairman, do you have a compliance division in each one of your Bureaus? You used to have one Compliance Division. Now it looks like you have one in each Division.

Mr. DIXON. We took the old Compliance Division——

Mr. EVINS. And divided it into three or four parts?

Mr. DIXON. We divided it into parts. Mind you, we did not previously have a Bureau of Textiles and Furs. So now we emphasize this, we have a small compliance section there. We have one in deceptive practices, one in restraint of trade.

Mr. EVINS. Would not one Compliance Division do the job effectively? They know what is required in compliance.

Mr. DIXON. Mr. Evins, you could say, would not Compliance Division do the same job all over? They would not do it as well as we are doing it this way. We are not wasting any manpower this way. We are saving manpower.

Mr. EVINS. There is a Compliance Division in each Branch.

Mr. DIXON. But look at the number in it, sir. In our restraint of trade compliance, since 1962, we have offered to anyone that has an outstanding order to cease and desist, any moment they may come to the Commission and inquire as to whether they are presently in compliance, and we have to say "Yes" or "No." The businessman is entitled to this, because we can sue him for $5,000 a day per each violation, and he is entitled to know.

Mr. EVINS. You have not done that? You have not been hard on them?

Mr. DIXON. We have sued many of them. We have a good record.

PENALTY COLLECTIONS

Mr. EVINS. How much have you been able to collect in penalties?

Mr. DIXON. Last year I do not know what it was.

Mr. THOMAS. I think it is in the justification.

Mr. GLENDENING. $141,000.

Mr. DIXON. I remember one deceptive practice case we went to district court in Chicago, and asked for $750,000, and proved every one of them, and the judge gave us $4,000. We cannot do anything about that. There is nothing we can do about. We had $750,000 proven in that case.

BUREAU OF ECONOMICS

Mr. EVINS. We will turn to the Bureau of Economics. Mr. Chairman, I notice you have 117 employees in this Bureau, and you want 122, an increase of 5, and you want to increase this Bureau by $41,000. Before you can proceed in matters you have to have the facts and the economics of the particular industry, I suppose. Will the 117 give you all the information you want?

Mr. DIXON. We are doing the best we can with what we have.

Mr. THOMAS. Do you need an economist to figure out that sleeping bag was 6 inches short?

Mr. DIXON. No, sir; we did not use him there. We might ask him to find how big the industry is.

Mr. EVINS. We will place in the record the table on page 126, and pages 128 through 133.

(The pages follow:)

*Bureau of Economics*

| | Allotment, fiscal year 1965 | | Requested, fiscal year 1966 | | Increase, fiscal year 1966 | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Office of the Director | 41 | $282,000 | 41 | $282,000 | | |
| Division of Economic Evidence | 23 | 256,000 | 23 | 256,000 | | |
| Division of Industry Analysis | 15 | 164,000 | 20 | 205,000 | 5 | $41,000 |
| Division of Financial Statistics | 38 | 293,000 | 38 | 293,000 | | |
| Total personal services | 117 | 995,000 | 122 | 1,036,000 | 5 | 41,000 |
| Travel | | 3,000 | | 3,000 | | |
| Other expenses | | 8,500 | | 8,500 | | |
| Total | 117 | 1,006,500 | 122 | 1,047,500 | 5 | 41,000 |

The Bureau of Economics acts as a general economic staff in obtaining and analyzing economic information used by the Commission in developing and evaluating its antimonopoly program. The work of the Bureau is basically of three types: (*a*) the preparation of economic inquiries and studies of special problems relating to the competitive performance of the economy; (*b*) preparing economic information and giving economic assistance in the selection, preparation, and litigation of cases; and (*c*) the collection and preparaton of quarterly financial reports of manufacturing corporations. For administrative purposes the Bureau is divided into the Office of the Director and three divisions.

### OFFICE OF THE DIRECTOR

This office has responsibility for general supervision of the operations of the Bureau. These responsibilities are exercised by the Director of the Bureau who is also the Commission's Chief Economist, and by an Assistant Director and an Assistant to the Director.

The Office of the Director also provides statistical and stenographic assistance to the Bureau through the statistical services section and the stenographic section.

No additional funds are requested for this office in fiscal year 1966.

### DIVISION OF ECONOMIC EVIDENCE

The Division of Economic Evidence is responsible for developing and evaluating economic data for use in planning and implementing the Commission's enforcement program. In fiscal 1964 the Division devoted most of its resources to merger matters but assistance was also provided the legal bureaus and divisions concerned with general trade restraints, discriminatory practices, deceptive practices, compliance, industry guidance, premerger clearance, and consent orders.

Corporate mergers are currently being consummated at a record rate, many of which may have a permanently adverse impact on the competitive structure of the economy. Not only is the rate of mergers high but the trend is more and more toward the acquisition of large independent companies which rank among the leading firms in their respective industries. The acquiring companies in a preponderance of instances are also among the Nation's largest industrial corporations and such acquisitions probably are contributing in a major way to an increase in overall industry concentration. In a number of industries, mergers are progressing at such a rapid rate that only vigorous and effective enforcement will prevent significant changes in the structure of these industries.

All of the industries in which the Commission is actively surveying merger activity are important industries in the economy. The dollar value of shipments in 1962 of the manufacturing industries under surveillance for mergers, ranged from a low of $200 million (estimated for tuna fish) to a high of $13.4 billion for automotive parts. In the wholesale-retail area annual dollar sales for 1962 ranged from a high of $59.1 billion for food retailing downward to $15.8 billion for department stores and to $2.2 billion for products sold through vending machines.

Economists play a significant role in carrying out the agency's responsibilities in the merger field. During the past fiscal year economists participated in the preliminary investigation, analysis, and litigation of all major merger cases handled by the Commission. The basic statutory criteria of illegal mergers under the Clayton Act—substantial lessening of competition or tendency to create a monopoly—are essentially economic considerations. In most merger cases the principal questions generally involved concern the following: (*a*) line of commerce, (*b*) section of the country, (*c*) competitive effects, (*d*) market shares, (*e*) concentration, (*f*) interindustry relationships, (*g*) barriers to entry, (*h*) history and probable future of an industry, and (*i*) the type of relief. Meaningful answers to each of these require economic research and analysis.

The enforcement program in the field of mergers must be planned in order to realize the greatest possible benefit for the economy with the Commission's limited resources. The Division of Economic Evidence contributes substantially to this planning. An important initial responsibility which contributes to the planning process is the screening of mergers that are reported daily in selected trade media. The Division reviews every merger reported in such sources and—together with the Division of Mergers—investigates in depth only the most significant ones. A selective process is necessary since the limited resources of the Commission will permit but a relatively small number of detailed investigations at any one time.

In addition to assistance on merger work, the Division has responsibilities in other fields. Currently, it is making an industrywide investigation of interlocking directorates in cooperation with the Division of Mergers. This is an across-the-board study of every major industry in the economy with emphasis upon the largest companies in each area. It is an attempt to determine systematically by applying a uniform standard to all industries the degree to which section 8 of the Clayton Act may be violated. It is believed that a number of cases will result from this study. It is normal procedure for an economic analysis to be made of every premerger clearance request submitted to the Division of Advisory Opinions. Economic assistance is being given one of the enforcement divisions in its analysis of complicated pricing systems.

Work is also done on a continuing basis on economic aspects of consent decrees and compliance problems. The Division assists the Bureau of Deceptive Practices in analyzing claims made by respondents based on sampling data. In these cases the Bureau's statistician reviews sampling studies presented by respondent to see whether they have been carried out with accepted statistical techniques.

No increase in funds is requested for fiscal year 1966.

### DIVISION OF INDUSTRY ANALYSIS

The Division of Industry Analysis performs functions that traditionally have been considered to be among the most important of the Commission's activities. The Division has two basic responsibilities: First, to undertake a wide variety of special projects which support and assist the Commission in the performance of its activities. Second, to conduct economic inquiries at the request of the President, the Congress, or the Commission.

The basic functions of the Division of Industry Analysis is to provide assistance to the Commission in dealing with critical economic problems coming to its attention. Usually these problems involve actual or probable violations of existing laws which because of their unique nature require further economic analysis before it is possible to determine the most appropriate course to be followed. Many of its activities are undertaken in cooperation with the program review officer. This procedure enables the Commission to achieve a more coordinated and integrated program of economic investigation.

The Commission often directs the Division of Industry Analysis to undertake specific economic projects designed to provide the Commission with the relevant facts regarding competitive conditions in particular industries and reliable estimates of the economic significance of certain problems of general industrial significance; e.g., mergers, industrial concentration, pricing practices and policies, methods of distribution, interlocking directorates, export trade associations and the like. Given this detailed and comprehensive economic analysis, the Commission is better able to understand and act on the problems which face it.

The expertise of the staff of the Division of Industry Analysis is recognized by many others. Numerous requests have been received for special assistance by House and Senate committees, other Government agencies, including the Council of Economic Advisors, by officers of the executive branch and by a variety of nongovernmental individuals, companies, and research institutions.

*Fiscal year 1966 industry analysis activity*

During fiscal year 1966, the Division of Industry Analysis will continue its efforts in many of the areas in which it participated during fiscal year 1965. Most prominent among these are its continued assistance in support of the Commission's industry advisory program and its continued efforts to improve the Commission's merger and analysis program.

*Industry guidance program*

The most substantial expansion of the Division of Industry Analysis activities has been in providing support for the Commission's industry guidance program. Within the past few months, the Commission has called upon the services of the Division to prepare comprehensive economic analysis of industry problems on at least three occasions.

First, the Commission directed the Division to prepare a comprehensive analysis of cigarette output and advertising expenditures in connection with its hearings on a proposed trade regulation rule on cigarette advertising. This report covered such factors as the importance of tobacco farming to agricultural income, the tax contribution—both Federal and local—to governmental revenues as well as its importance at other levels of the distributive process. However, primary attention was focused on changes in cigarette output (since 1952) in total and by type and by brand of cigarette, and changes in advertising expenditures on the the same basis. In addition, an exhaustive collection of cigarette advertisements was prepared and submitted. The data contained in this report to the Commission represented a substantial part of the record upon which to arrive at its final decision.

Second, the Division of Industry Analysis has been directed by the Commission to analyze integration and concentration among manufacturers and distributors of portland cement. This project is designed to examine the extent of concentration in the cement, ready-mix concrete, and concrete products industries. The project analyzes the competitive effects of the growing forward integration of producers in the already highly concentrated cement industry into the ready-mix concrete and concrete products industries through merger.

Vertical integration, both backward and forward, has become a substantial problem not only in the cement industry but in many others as well. It is the Commission's desire to have before it a comprehensive economic analysis of the competitive effects of this problem—based on information submitted by its staff and by industry—so that it may provide guidance to the industry and thus avoid unnecessary litigation which is costly to both individual corporations and the Federal Government.

A third problem on which the Division of Industry Analysis has been called to provide assistance is in the Commission public hearings on problems of competition in the marketing of gasoline. The Division has been directed to cooperate with other bureaus in the preliminary planning for these hearings which will deal with such problems as dealer-refiner relationships, the strength and competitive position of independent refiners, jobbers, and retailers, and the origin and effects of so-called gasoline price wars. While this problem is of long duration, the purpose of the hearings is to develop the facts and information which will enable the Commission to evaluate the structure of the gasoline marketing industry as well as its practices and competitive problems in order to provide a basis for remedial action if warranted.

Inasmuch as the Commission has intensified its already substantial efforts in approaching problems on an industrywide basis, it is contemplated that the assignments of the Division of Industry Analysis will be increased considerably during the fiscal year 1966.

*Merger analyses*

In our last budget request, we announced our intention to increase the share of resources engaged in our merger analysis program. Some of the fruits of these efforts were reported in testimony submitted to the Subcommittee on Antitrust and Monopoly. The testimony revealed that during 1951–62 the 200 largest industrial corporations of 1960 engaged in 1,869 mergers with combined assets exceeding $13.5 billion. Between 1950 and 1962 the share of total manufacturing assets held by the 200 largest companies increased from about 47 percent to 55 percent. Acquisitions played a central role in bringing out this increase in concentration. Also, it was revealed that between 1948 and 1963 about 600 large corporations, each with assets of $10 million or more, were acquired. These firms, whose combined assets were about $20 billion, represented nearly 30 per-

cent of the present number of U.S. corporations with assets exceeding $10 million.

The demonstrated size and scope of the recent merger movement indicates that substantially more resources must be engaged in the continuing analysis of this problem. These analyses have been based on information in the Commission's files and from public sources. The merger analysis work of this Division is conducted in close cooperation with the Division of Economic Evidence which has primary responsibility for the preparation of economic data to be used in the Commission's section 7 cases.

*Increases requested, fiscal year 1966*

In an effort to fulfill the increasing demands for assistance directed to this Division, additional staff members will be required. These requirements are as follows:

| | |
|---|---|
| Economist, GS–14 | 1 |
| Economist, GS–12 | 1 |
| Economist, GS–9 | 1 |
| Economists, GS–7 | 2 |
| Total | [1] 5 |

[1] Total salaries, $41,000.

DIVISION OF FINANCIAL STATISTICS

This Division collects quarterly financial statements from a probability sample of 9,000 manufacturing corporations. The sample is drawn from a universe of about 200,000 corporate manufactuers that do not have to file financial statements with the SEC. This probability sample survey produces quarterly estimates for 13 income statement items, 32 balance sheet items, and 44 financial and operating ratios for each of 34 industry groups and 10 asset sizes of corporate manufacturers. To these results are added comparable information collected by the Securities and Exchange Commission from 2,000 corporate manufacturers which are required to file annual reports with the SEC. The summaries are published as the Quarterly Financial Report for Manufacturing Corporations and are sold to the public on a subscrpition basis by the Superintendent of Documents.

The quarterly summaries are also used extensively by all agencies which have a need for quarterly corporate profits and related financial statistics, including the Council of Economic Advisers, the Office of Business Economics, and the Federal Reserve Board.

No increase in funds is requested for this function in fiscal year 1966.

Mr. EVINS. Who is the Chief of your Economic Bureau?

Mr. DIXON. The Economic Bureau, Mr. Willard Mueller.

Mr. EVINS. Oh, yes. He is a man from my old school. He is a smart man and he is an able man.

Mr. Mueller, why do you need five more people?

Mr. MUELLER. Why do I need only five?

Mr. EVINS. Why do you need five?

Mr. MUELLER. The programs of the Commission which emphasize the Bureau of Industry guidance program require a good deal of economic assistance. We at the present time are working on a number of these projects. The petroleum industry, for example, where the Commission is planning to hold hearings in May; we are conducting a similar project in the cement industry. Additionally, we are trying to better understand the magnitude and competitive implications of the current merger movement of which he spoke earlier.

## OTHER EXPENSES

Mr. EVINS. We will turn to "Other expenses." Insert pages 134 through 137.

(The pages follow:)

## Other Expenses

The sum of $2,205,000 is required for cost other than salaries of Commission personnel, of which $11,000 is for legal and medical witness fees which is shown on the summary schedules in object classification 11—"Personnel compensation." This reduces other operating expenses to $2,194,000 as reflected in the following summary.

| Item of expense | Allotment, fiscal year 1965 | Requested, fiscal year 1966 | Increase, fiscal year 1966 |
|---|---|---|---|
| Personnel benefits | $844,500 | $857,500 | $13,000 |
| Travel and transportation of persons | 486,000 | 486,000 | |
| Transportation of things | 8,000 | 8,000 | |
| Rent, communications, and utilities | 272,500 | 246,500 | −26,000 |
| Printing and reproduction | 110,000 | 110,000 | |
| Other services | 146,000 | 151,000 | 5,000 |
| Supplies and materials | 150,000 | 160,000 | 10,000 |
| Equipment | 15,000 | 175,000 | 160,000 |
| Total | 2,032,000 | 2,194,000 | 162,000 |

### PERSONNEL BENEFITS

The sum of $857,500 is required for personnel benefits as shown in the following table. These benefits are statutory and the cost reflects the Commission's pro rata share for these items.

| Personnel benefits | Allotment, fiscal year 1965 | Requested, fiscal year 1966 | Increases, fiscal year 1966 |
|---|---|---|---|
| Employees life insurance contributions | $37,000 | $38,000 | $1,000 |
| Civil service retirement costs | 734,000 | 745,000 | 11,000 |
| Social security taxes | 9,000 | 9,000 | |
| Health benefits contributions | 63,000 | 64,000 | 1,000 |
| Public Health services (first aid) | 1,400 | 1,400 | |
| Allowance for uniforms | 100 | 100 | |
| Total | 844,500 | 857,500 | 13,000 |

### TRAVEL AND TRANSPORTATION OF PERSONS

The amount of $486,000 is required for travel expenses in 1966. This amount will provide for the payment of transportation expenses, rental of automobiles, subsistence, incidental expenses, and mileage costs for the use of privately owned automobiles for official travel. This represents no increase over the 1965 allocation.

### TRANSPORTATION OF THINGS

Funds in the amount of $8,000 are requested for this item in 1966. It is contemplated that this amount will be needed to defray the costs of moving household goods of field employees who are transferred during the year as well as freight and express charges incurred during the year.

### RENTS, COMMUNICATIONS, AND UTILITIES

*Rents and utility services*

Funds in the amount of $76,000 are requested for fiscal year 1966. IBM and computer rental is reduced by $26,000 (this is explained in detail under Office of the Comptroller).

There is set forth below a summary itemizing the estimated rental costs for 1966:

| | Allocation, fiscal year 1965 | Request, fiscal year 1966 | Increase, fiscal year 1966 |
|---|---|---|---|
| Space rental transfer to GSA | (1) | | |
| IBM and computer rental | $52,000 | $26,000 | −$26,000 |
| Commission autos from motor pool | 2,500 | 2,500 | |
| Haloid Copyflow and Xerox equipment | 47,500 | 47,500 | |
| Total | 102,000 | 76,000 | −26,000 |

[1] $16,000 appropriation transfer 1965.

*Communication services*

Funds in the amount of $170,500 are requested for communication services which represents no increase over the allocation for fiscal year 1965. This represents the cost of telephone, telegraph, and postal services which will be required in 1966.

PRINTING AND REPRODUCTION

Funds in the amount of $110,000 are requested for printing of the Commission's volumes of decisions, statutes, court briefs, photoduplications, and miscellaneous administrative printing. This represents no increase over 1965.

OTHER SERVICES

This account includes all services not otherwise classified. The items included under "Other services" are shown in the following table:

| | Allotment, fiscal year 1965 | Requested, fiscal year 1966 | Increase, fiscal year 1966 |
|---|---|---|---|
| Repairs and building alterations | $31,500 | $31,500 | |
| Stenographic reporting services | 35,000 | 35,000 | |
| Corporate statistics (BOASI) | 3,500 | 3,500 | |
| Internal Revenue—Corporate statistics | 5,000 | 5,000 | |
| Clinical testing | 61,000 | 61,000 | |
| Consumer council | 10,000 | 15,000 | $5,000 |
| Total | 146,000 | 151,000 | 5,000 |

SUPPLIES AND MATERIALS

Funds in the amount of $160,000 are requested for supplies and materials representing an increase of $10,000 over the allocation for 1965. This is the estimated increased cost based upon the new employees requested and increasing cost of supplies.

Included in this request is the cost of the annual library order for subscriptions and publications amounting to approximately $40,000 which is no increase over the actual cost for 1965.

EQUIPMENT

Funds in the amount of $175,000 are requested for new equipment in the fiscal year 1966. This represents an increase of $160,000 over the allocation for 1965. Funds requested consist of the following items:

| | |
|---|---|
| Equipment for new personnel (furniture and machines) | $4,500 |
| Furniture | 14,010 |
| Typewriters, electrical | 18,920 |
| Typewriters, manual | 7,800 |
| Adding machines | 3,500 |
| Calculators | 12,750 |
| Dictaphones | 13,020 |
| Miscellaneous office machines | 500 |
| Total for furniture and office machines | 75,000 |
| Burroughs Corp. purchase of computer as set forth in justification for Office of the Comptroller | 100,000 |
| Total | 175,000 |

The item listed above of $100,000 for the computer has been previously explained under the Office of the Comptroller. This represents an actual increase in funds of only $74,000 when the reduction of $26,000 in machine rental costs are considered.

Except for equipment of new personnel, the above equipment requests are for replacement only of worn and obsolete equipment beyond economical repair. The amount requested for furniture represents a replacement of only 2.05 percent of the total replacement value of all Commission furniture. This extremely low request is made in compliance with the President's request to reduce expenditures to the bone. This request assumes an ability to obtain considerable excess furniture from other agencies and a continuation of our general policy to save through refinishing furniture rather than purchasing new. The extent of the paring of this item can be further realized by comparison with actual expenditures of $22,091.37 for furniture in fiscal 1964 and an average expenditure of $57,262.27 for furniture in fiscal years 1962 through 1964.

The sums requested for office machines generally assume an average life expectancy of 10 years. However, the request for replacement of manual typewriters reflects a considerable greater useful life. The average age of our manuals in fiscal 1966 is expected to be 14 years. On the other hand, the requests for adding machines and calculators slightly exceed a 10-percent replacement rate in order to partially reduce the excessive average ages of the machines. We have, for example, seven adding machines from 15 to 28 years of age and some calculators as old as 46 years.

Mr. EVINS. We notice personnel benefits are going up $13,000. Is this because of the pay raise?

Mr. GLENDENING. No.

Mr. EVINS. Can you absorb all of that?

Mr. GLENDENING. This $13,000 is the personnel benefits payments required for the new employees we are requesting, civil service, insurance, and so forth.

Mr. EVINS. "Other services" go from $146,000 to $151,000. There is a $10,000 increase for supplies. Printing and reproduction has no increase.

The total of "Other expenses" is $162,000.

The equipment is the computer we discussed?

Mr. GLENDENING. That is part of the equipment; yes, sir.

Mr. EVINS. Are your decisions printed up to date?

Mr. GLENDENING. The volumes that are actually at the Government Printing Office right now are about a year behind. We expect to get another volume over very soon, which will bring up to December 31, 1963.

Mr. EVINS. You have several items of equipment—typewriters, furniture, adding machines, calculators, dictaphones, and miscellaneous office machines. Are you going to purchase any automobiles?

Mr. GLENDENING. No, sir.

Mr. EVINS. Are there any questions?

Mr. SHIPLEY. No questions.

Mr. GIAIMO. No questions.

Mr. JONAS. I have two questions.

Mr. EVINS. Mr. Jonas.

VACANCIES

Mr. JONAS. How many vacancies do you have now?

Mr. DIXON. On what, sir?

Mr. JONAS. Personnel.

Mr. DIXON. That varies from time to time. Our attrition rate——

Mr. JONAS. Take January 1. How many did you have on board?

Mr. GLENDENING. Approximately 1,150.

Mr. JONAS. How many vacancies? How many below appropriated?

Mr. GLENDENING. We had figured that average employment for the year would be 1,162.

Mr. THOMAS. Give him the number of vacant jobs you have. What is the figure, 50?

Mr. GLENDENING. No. We figured an average of 1,162. So on that basis we would have 12 vacancies.

Mr. THOMAS. What about jobs?

Mr. GLENDENING. Total positions were budgeted for 1,175 this year, but they were not budgeted for the full year because we knew some people were going to leave in the middle of the year.

FUNDS FOR WITHIN-GRADE PROMOTIONS

Mr. JONAS. How much money do you have for ingrade promotions?

Mr. GLENDENING. In additional cost, none.

Mr. THOMAS. It is mandatory. You are bound to have some.

Mr. GLENDENING. Our actual cost is about $118,000 a year. As a general rule, we are required by the Bureau of the Budget not to put money in for ingrade promotions as they do not recognize this cost. We have to do it out of turnover and by cannibalizing positions.

Mr. DIXON. I asked for the money, sir, but they do not keep the books the way I wish they would sometimes.

Mr. JONAS. Did you say you absorbed 10 percent?

Mr. THOMAS. Thirteen.

Mr. GLENDENING. Over 13 percent.

Mr. DIXON. I have been able, Mr. Jonas, by saying to my young attorneys—going back to the way we grew in 1961, 1962, and 1963—if they would come to the Commission and would apply themselves and prove diligent and worth while, that their division chief and bureau head would recommend a raise to me and that I would raise them a grade a year until they got to grade 11—this was 7, 9, 11. I have been able to do that. Last year I cut my attrition rate in attorneys from 19 percent to about 2 percent. I had this discussion when the Budget Bureau started talking about too many high grades, and I wrote a letter to them pointing this out. If they were to freeze my higher grades, it would mean throughout my organization the morale would not be worth anything. In fact, I would do just what those youngsters would do, I would draw my money and look for a job if you told me I had to stay at the Federal Trade Commission until one of these oldtimers fell over dead.

FUNDS FOR GRADE PROMOTIONS

Mr. THOMAS. How much money is there for grade-to-grade promotions?

Mr. DIXON. Not a penny. We have to cannibalize.

Mr. THOMAS. The Bureau of the Budget prevented it this year?

Mr. DIXON. Yes. They figure we can promote to higher grades only as vacancies occur. That is good provided everybody gets off up there, but if they stay with nobody leaving, it is not.

Mr. THOMAS. You do not have too much squawk coming on grades.

Mr. DIXON. No, sir, and I do not listen to too much squawk, either, because they are being paid well now.

Mr. EVINS. Thank you, gentlemen. You have done a good job for 50 years and we wish you luck.

Mr. DIXON. Thank you very much.

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MONDAY, MARCH 29, 1965.

## FEDERAL POWER COMMISSION

### WITNESSES

JOSEPH C. SWIDLER, CHAIRMAN
DAVID S. BLACK, VICE CHAIRMAN
LAWRENCE J. O'CONNOR, Jr., COMMISSIONER
CHARLES R. ROSS, COMMISSIONER
HARRY J. TRAINOR, EXECUTIVE DIRECTOR
S. DAVID FREEMAN, ASSISTANT TO THE CHAIRMAN
RICHARD A. SOLOMON, GENERAL COUNSEL
ARTHUR L. LITKE, CHIEF ACCOUNTANT
HASKELL P. WALD, CHIEF ECONOMIST
F. STEWART BROWN, CHIEF, BUREAU OF POWER
FRANK F. WATTERS, CHIEF, BUREAU OF NATURAL GAS
WILLIAM N. CAMPBELL, DIRECTOR OF PERSONNEL
MARSH H. MOY, CHIEF, OFFICE OF MANAGEMENT AND MANPOWER UTILIZATION
WESLEY CAPAR, CHIEF, OFFICE OF PROGRAM, BUDGET AND FINANCIAL SERVICES
THOMAS F. CASHELL, HEAD, BUDGET AND FINANCIAL SERVICES

### SALARIES AND EXPENSES

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 9,832 | 10,751 | 11,147 |
| 11.3 | Positions other than permanent | 70 | 10 | 10 |
| 11.5 | Other personnel compensation | 38 | | |
| | Total personnel compensation | 9,940 | 10,761 | 11,157 |
| 12.0 | Personnel benefits | 721 | 803 | 816 |
| 21.0 | Travel and transportation of persons | 334 | 400 | 450 |
| 22.0 | Transportation of things | 29 | 17 | 17 |
| 23.0 | Rent, communications, and utilities | 215 | 300 | 221 |
| 24.0 | Printing and reproduction | 148 | 152 | 152 |
| 25.1 | Other services | 311 | 230 | 130 |
| 25.2 | Services of other agencies | 18 | 23 | 24 |
| 26.0 | Supplies and materials | 120 | 150 | 152 |
| 31.0 | Equipment | 60 | 138 | 420 |
| | Total costs, funded | 11,896 | 12,974 | 13,539 |
| 94.0 | Change in selected resources | −48 | | |
| 99.0 | Total obligations | 11,848 | 12,974 | 13,539 |

*Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 1,148 | 1,152 | 1,188 |
| Full-time equivalent of other positions | 13 | 1 | 1 |
| Average number of all employees | 1,115 | 1,121 | 1,144 |
| Average GS grade | 9.2 | 9.2 | 9.4 |
| Average GS salary | $8,900 | $9,572 | $9,649 |
| Average salary of ungraded positions | $5,666 | $5,666 | $5,666 |

*Program and financing*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Program by activities: | | | |
| 1. Natural gas industry | 6,135 | 6,523 | 6,383 |
| 2. Electric power industry | 2,302 | 2,450 | 2,743 |
| 3. Non-Federal hydroelectric projects | 2,209 | 2,408 | 2,809 |
| 4. Federal river development projects | 390 | 565 | 575 |
| 5. Administration | 861 | 1,029 | 1,029 |
| Total program costs, funded | 11,896 | 12,974 | 13,539 |
| Change in selected resources [1] | −48 | | |
| 10 Total obligations | 11,848 | 12,974 | 13,539 |
| Financing: | | | |
| 25 Unobligated balance lapsing | 2 | | |
| New obligational authority | 11,850 | 12,974 | 13,539 |
| New obligational authority: | | | |
| 40 Appropriation | 11,850 | 12,440 | 13,539 |
| 44 Proposed supplemental due to civilian pay increases | | 535 | |
| Relation of obligations to expenditures: | | | |
| 71 Total obligations (affecting expenditures) | 11,848 | 12,974 | 13,539 |
| 72 Obligated balance, start of year | 1,032 | 644 | 681 |
| 74 Obligated balance, end of year | −644 | −681 | −798 |
| 77 Adjustments in expired accounts | −10 | | |
| 90 Expenditures excluding pay increase supplemental | 12,226 | 12,432 | 13,392 |
| 91 Expenditures from civilian pay increase supplemental | | 505 | 30 |

[1] Selected resources as of June 30 are as follows:

| | 1963 | 1964 | 1965 | 1966 |
|---|---|---|---|---|
| Stores | 42 | 47 | 47 | 47 |
| Unpaid undelivered orders | 265 | 212 | 212 | 212 |
| Total selected resources | 307 | 259 | 259 | 259 |

Mr. THOMAS. Gentlemen, the committee will please come to order. We have with us this morning the Federal Power Commission. These distinguished gentlemen are more than welcome. It is nice to see all of you, particularly the very able chairman, Mr. Swidler, and the Commissioners, Mr. Black, Mr. O'Connor, and Mr. Ross. I see Mr. Bagge is not here for he has not been confirmed yet, has he?

Mr. SWIDLER. No, sir.

Mr. THOMAS. This is a very distinguished group and we are delighted and honored to have you. Do you have everybody who is listed here, Mr. Chairman?

Mr. SWIDLER. Yes, sir.

GENERAL STATEMENT

Mr. THOMAS. We are delighted to have you. Have you and your Commissioners a statement for us? We will listen to you as long as you want to talk, one or all of you, preferably all of you.

Mr. SWIDLER. I do have a statement.

Mr. THOMAS. We will place it in the record if you wish and you may proceed in any manner you choose.

(The statement follows:)

STATEMENT OF JOSEPH C. SWIDLER, CHAIRMAN, FEDERAL POWER COMMISSION

Mr. Chairman and members of the committee, I am glad to have this opportunity to report to you on the programs of the Federal Power Commission and to attempt to justify our appropriations request for the coming fiscal year.

We are deeply appreciative of the time and attention which the committee gives each year to the work of the Federal Power Commission. The appropriations approved by this committee and the Congress in the past 3 years have enabled the FPC to revitalize its work in regulating the natural gas and electric power industries. We are grateful for your support. I believe that we have used the funds you have authorized prudently and in a manner that has paid large dividends to the public. I trust that our report today will satisfy you that our program for the coming year merits your continued support.

This year marks a turning point in the Commission's programs, a turning point which I am sure will be welcomed by this committee. For the first time since 1955 the Federal Power Commission is not seeking additional staff for its natural gas work. We are glad to report that the billion dollar backlog of natural gas pipeline rate cases has been eliminated and that our program for producer regulation is well on its way to a long-term permanent solution. We do not minimize the unsolved problems or the huge task of keeping current in our work. However, we believe that with the increased productivity we are achieving we can handle the growing workload in regulating the natural gas industry with approximately the same staff manpower that is now available. In fact, we are recommending a reduction of 11 positions for the coming fiscal year. I remind the committee, however, that the manpower requirements in this field may vary widely from period to period, and that future increases are a possibility.

On the electric power side we are asking for 47 new positions which are required to handle a major increase in our workload in wholesale electric rate regulation, hydroelectric licensing, and related activities which I shall discuss in detail. I mention here only that the cost of 28 of these new positions would be reimbursed to the Government by the hydroelectric licensees and therefore would be at no cost to the Government. Considering the reduction in our natural gas staff the additional cost to the Government for the entire Federal Power Commission program is for a net increase of eight positions.

The committee may be interested in a comparison with past periods. The staff level we are seeking for our electric power work in 1966 calls for fewer people then were engaged in electric power work in the Federal Power Commission in 1949. The sharp attrition of the Commission's electric staff which took place in the 1950's has yet to be overcome. Effective regulations of the Nation's largest industry cannot be accomplished without the modest increase in staff we are seeking.

Let me now put before you the basic figures involved in our request for fiscal 1966.

The President has requested a total appropriation of $13,539,000 for the Federal Power Commission for fiscal 1966. The request is an increase of $564,500 over the $12,974,500 which the Commission expects to spend in 1965. The 1965 total is made up of $12,439,500 already appropriated and $535,000 in the pending supplemental request to cover the unabsorbed portion of the pay increase in 1965 under Public Law 88–426.

The $564,500 increase we are requesting is itemized as follows:

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| 36 new positions (total cost of increase) | $450,000 |
| Travel increase (for compliance audits and safety inspections of dams) | 50,000 |
| Purchase of computer (now rented) | 260,000 |
| Savings in computer rental and ADP contracts | −160,000 |
| Reduction in space, equipment, rentals and repairs, and office furniture | −35,500 |
| Total | −195,500 |
| Total increase over 1965 | 564,500 |

On the income side of the ledger, the Commission expects marked improvement in bringing revenues into the Federal Treasury. In 1963, we collected $2,839,986 from owners of downstream hydroelectric projects benefiting from upstream Federal projects, much of which was for payments due for benefits received in prior years. Collections were down to $1,297,510 in 1964, but we expect to collect approximately $3 million a year in 1965 and 1966. The aggregate amount collected by the Commission in its entire history prior to 1963 was only $587,088. We have, where legally permissible, also increased the fees charged hydroelectric project licenses, to assure that the Government is compensated for the costs of administering part I of the Federal Power Act.

We estimate that our activities will bring into the Treasury revenues of $5,555,362 in 1966. The net cost to the U.S. Treasury of the Commission's work in fiscal 1966, offset by the increased payments to the Federal Treasury for licenses and headwater benefits, will therefore be $7,983,638. This is a little more than the net cost in earlier years when salaries were lower and the Commission's overall costs smaller.

ELECTRIC POWER

I would like to discuss the electric power side of the Commission's activities first because I believe the coming year represents a critical point in our electric power program. The degree of your support for our electric power budget request, in our opinion, can profoundly influence the future course of the Nation's No. 1 industry.

A highlight of the Commission's program for last year, and one of the signal achievements of its history, was the completion and publication of the "National Power Survey Report." The report, although prepared by the Commission, benefited from the work of a network of industrywide advisory committees, and reflected the contributions of scores of industry leaders drawn from every industry segment and region. For the first time it provided a panoramic view of the industry's past and a vision of its future if all segments worked together to advance their common interests and the interests of power consumers throughout the Nation.

The report sets forth, not a blueprint, but a general plan of industry advance by collaboration in power interconnections, power pooling, and technological improvement.

The Commission is happy to be able to report to this committee that the report has been accorded a warm and positive reception by all elements of the electric power industry. There are many signs that it has already strongly influenced the industry to move forward in the directions I have mentioned.

The national power survey has reestablished the Federal Power Commission as an active and constructive force in stimulating more economical operations by all segments of the electric power industry. A continuing followup effort is a must, if the work of the survey is to bear a full harvest in the form of extra-high-voltage transmission interconnections and other projects for fuller coordination of the power systems throughout the Nation.

The Supreme Court's decision in the *Colton* case in March 1964 has reiterated the Commission's responsibility for regulating all of the sales at wholesale by electric utilities in interstate commerce. Adequate staff is necessary to assure that wholesale customers share in the savings from the use of larger units and stronger interconnections which the Commission is stimulating.

Support of these Federal Power Commission programs will promote power pooling and make low-cost power at wholesale available from the emerging

pools. A failure to support the Commission's programs to assure low cost power at wholesale from large-scale sources will encourage the construction of duplicate generating and transmission facilities which will be wasteful and costly to consumers. A failure to provide adequate staff will also permit the large utilities to reap more than their fair share of the benefits of power pooling and thus deprive wholesale customers and their ultimate consumers of savings they could otherwise enjoy.

There are many other activities that will demand an increasing amount of the Commission's attention during the coming year. One program in our hydroelectric licensing work requires little manpower but is of great public benefit. I refer to our plans for action to utilize the full recreation potential of the reservoirs formed by our licensed projects. We are also hoping to accelerate our program of water resources appraisal studies and for bringing unlicensed projects under license.

We are proposing an improved inspection program on all licensed projects to help prevent failures of dams. Failures occurring recently emphasize the need for this program.

A large additional workload is already upon us in studying existing projects whose license terms will expire beginning in 1968 in order to make the studies to provide Congress with adequate information to determine whether the project should be recaptured for the United States.

You can appreciate that these important program responsibilities which the Commission is undertaking cannot be adequately performed without a sufficient number of staff personnel. About half of these programs are completely free of any net charge to the Government. The other half represents an investment in achieving substantial reductions in the Nation's electric bill which is now running at the rate of more than $14 billion a year.

As I mentioned earlier, the Commission's need for 47 additional positions to perform its electric power work is placed in perspective by noting the large losses in staff that occurred during the 1950's. The staff was reduced from 528 people in 1949 down to a low of 297 positions in 1955. The buildup in staff from that low point was slow. By 1961, the electric power staff consisted of only 346 people, still far below the staff available in 1949. We are requesting about the same number of people that we had 15 years ago. We believe this is the minimum needed to regulate effectively an industry that is now three times as large as it was then. More important from the point of FPC responsibilities, in this period the industry has moved from one of local operations to predominantly interstate transactions.

*Regulation of wholesale electric rates*

Electric rate regulation 4 years ago was neglected responsibility at the Federal Power Commission. The interstate wholesale rates of many utilities were not even on file with the Commission. Moreover, since the entire electric rate staff consisted of four people the rates that were on file could not be scrutinized. The Commission had not decided an electric rate case in 10 years.

Electric rate regulation by the FPC is now a fully operative program. A major effort is underway which is bringing about reductions in excessive rate levels. During fiscal 1962, before the buildup of an electric rate division, there were filed with the Commission reductions that totaled only $127,000. One year later, 1963, with a regulatory program in the making, reductions totaled $1,205,000, and in fiscal year 1964, they totaled $1,450,000. Reductions of more than $7 million have already been filed and accepted in fiscal year 1965.

These recent rate reductions are greatly in excess of rate increases. The downward trend in wholesale rates has been paralleled by numerous rate reductions at the retail level which have reversed the postwar upward trend of electric rates. Lower rates at both wholesale and retail are now an accepted industry goal, and a goal which is being implemented.

The Commission, of course, cannot regulate wholesale rates until the rate schedules are filed. Many utilities in the past failed to file either because of inadvertence or in an effort to avoid Commission regulation. It has therefore been necessary for the Commission to carry out an intensive program to secure compliance with the Federal Power Act. This program received great impetus from the Supreme Court's decision in the *Colton* case, decided by the U.S. Supreme Court in March 1964. Approximately 140 companies have now filed all of their wholesale rate schedules—about twice the number that were on file at the time of the *Colton* decision.

While these results are encouraging there are still a number of companies that we have listed as public utilities which have not filed their wholesale rates. Many others have filed their rates but reserved their right to contest the jurisdictional question. We are hopeful that the test cases now underway will resolve the remaining jurisdictional questions, and enable the Commission to proceed with its program on the basis of a clear-cut understanding of the reach of the Federal Power Act.

Many of these wholesale rates recently filed appear to be at excessive levels when measured by FPC standards of a just and reasonable rate. The Commission's staff is investigating the rates at which 35 companies serve some 600 wholesale customers. These transactions involve total revenues of over $100 million annually, a portion of which may be excessive. The additional manpower we are requesting is urgently needed to complete these studies and to secure appropriate rate reductions.

The Commission is seeking to achieve rate reductions primarily through voluntary filings by the utilities in light of the results of its staff investigations. As I previously mentioned, this program is gathering momentum and over $7 million in rate reductions have been filed in the first 8½ months of this fiscal year. However, in many cases a formal rate case is instituted.

The Commission has ordered formal action against several companies based on staff review of filed rates. Proceedings were instituted against three companies in Georgia, Mississippi, and North Carolina because of dual-rate and other restrictive provisions included in municipal and cooperative power contracts and which would have handicapped the normal growth of these small systems. These cases have resulted in a removal of many of these restrictive provisions. There have been many other actions by the Commission to improve the conditions under which power flows at wholesale in interstate commerce. Not all of these improvements are reflected as rate reductions, but their importance to purchasers at wholesale may be equally great.

New England is one part of the Nation in which the Commission's wholesale rate program has already achieved important results. In 1962 the Commission ordered a special investigation of the largest wholesale power supplier in the area. This study, which was completed and published in June 1964, showed that power costs could be reduced substantially below 1962 levels and the study recommended means for accomplishing this result. In the light of this study, the Commission's staff and the New England electric system entered into negotiations which have resulted in reductions of nearly $2,600,000. Included in this amount are reductions of about $460,000 to 18 wholesale customers, including 16 municipal distributors in Massachusetts.

The town of Shrewsbury, Mass., is an example of the beneficial results of the Commission's wholesale rate program. The Commission ordered the New England Power Co. to serve the town directly rather than through the facilities of an affiliated company—Massachusetts Electric Co. By eliminating the middleman, Shrewsbury's bill for power was reduced by about $42,600 annually or about 7 percent. The staff is continuing its intensive investigation with a view to further rationalization and reduction of the rates of the New England electric system. The Commission has recently received a formal complaint from a cooperative in Vermont regarding the reliability and adequacy of its wholesale service. The Commission is engaged in a variety of activities to bring lower cost power to New England.

Wholesale customers are bringing their rate and contract problems to the FPC in growing numbers. In recent months many complaints have been received seeking relief under the Federal Power Act from wholesale rates that these customers believe are too high or discriminatory. The number of such complaints is growing rapidly as the Commission continues to show results from its rate activities. We must have sufficient staff to process the formal proceedings and informal complaints which are brought to us as well as those we initiate on our own motion.

Of the 19 additional positions in our electric rate regulation work requested for 1966, two positions are for accountants to audit the costs of utility plant as reflected on the utilities' books. This work has been suspended since 1950 because of the almost complete concentration of our auditing staff on natural gas rate cases and on audits of the original cost of licensed hydroelectric projects.

The auditing work is directly related to ratemaking because the rate of return allowed a utility is a percentage of its net plant investment, or rate base, which is the item audited. An inflated rate base would result in excessive profits. Most State commissions follow the FPC system of accounting and any reductions in

the rate base would benefit intrastate rates regulated by the State commissions as well as the wholesale rates regulated by the Federal Power Commission. All audits are carried out in cooperation with the State commissions having jurisdiction.

We have revised our regulations to ensure that staff work is kept to a minimum. The new regulations require electric utilities to support rate filings with cost information which will facilitate meaningful Commission review without requiring a detailed field investigation of a company's books in connection with each rate case.

Effective rate regulation is sometimes mistakenly thought to be simply the maintenance of rates in an appropriate relation to the costs of providing service. Actually, it includes much more than this. For example, rate regulations includes insuring a fair rate design. Some utilities attempt to inhibit competition from their distribution customers for new industrial loads by designing rates which make it difficult for the distributors to offer a competitive rate to industrial customers and which otherwise discourage expansion of the distributors' loads. It also includes assurance that fuel cost adjustment clauses are designed so that customers receive the full benefits of reductions in fuel costs and that they need not pay more than the actual cost of increases where fuel costs go up.

The benefits of effective wholesale rate regulation go beyond the savings in the cost of electricity, important as those are. What is at stake is the efficient use of our natural resources. We need sufficient staff to insure the availability of lower cost power to the many small utilities, public and private, whose operations are not large enough to enable them to generate their own power from the most economical sources. In the absence of effective regulation, they will be required in many cases to continue to build small, relatively high-cost generating stations which fail to make the most efficient use of our natural resources.

A failure to provide adequate staff for the Commission could thus have a serious impact on the efficient operation of the electric power industry and on the consuming public, not only now but even more so in the future as power demands continue to grow at a pace faster than in the case of other energy sources.

The United States has entered an era in which the cost of electric power can be reduced substantially through the use of interconnected power pools covering many States. Our efforts to implement the suggestions in the National Power Survey Report will, we trust, help make this possibility a reality. The payoff activity is effective rate regulation.

*National power survey*

I have already referred to the importance of the National Power Survey which was published by the Commission on December 13, 1964.

The Commission's survey has encouraged the industry to increase its research efforts and as a result on March 15, 1965 the industry announced the formation of a research committee including representatives of all segments of the industry to accelerate its research efforts on a coordinated basis.

The President has recognized the survey as a constructive step in directing the attention of the Government and of all of the various interested industry groups to our greatly increased power needs of the future. The goal of the National Power Survey is lower cost electricity fo rall Americans. To make this goal a reality will require a followup on the beginning which the survey has achieved in planning the coordinated growth of the electric power industry. The extent to which the ideas and suggestions in the survey report are adopted will depend in part on the degree of the Commission's efforts in encouraging the industry to continue to work together and make the detailed evaluations prerequisite to implementing these suggestions in the survey report.

The working relations which have been established between the Commission and the industry and among the various segments of the industry are the most valuable products of the survey. They should not be allowed to lapse. Therefore, we expect to continue our power survey advisory committees, perhaps in altered form, so that the Commission can continue to carry out its statutory duty to encourage interconnections in cooperation with all segments of the industry.

The experience with the National Power Survey illustrates that a comparatively small technical staff at the Federal level can achieve important improvements in coordination among power systems by encouraging cooperative planning on a voluntary basis. A continuation of the stimulating forum which the survey provided is a wise investment to encourage maximum economy in the Nation's largest industry. We plan to continue a staff of only 10 people on this work.

*Power system analysis*

The National Power Survey is included under the activity designated "Power System Analysis" in the Commission's budget estimates. This work includes the collection and analysis of information on all aspects of the electric power industry, short-term investigations of present and future electric loads, available and scheduled sources of power supply, and other such basic studies. Over the past several years this work has been handicapped because of personnel shifts to the National Power Survey. As a result, a number of important studies and reports of a recurring nature have been delayed or not undertaken. In fiscal years 1965 and 1966 increasing effort will be made to publish improved information on the rapidly expanding electric power industry and to make the material available to the industry and the public expeditiously. For example, the Commission's Technical Memorandum No. 1, which sets forth guidelines and cost data essential to estimates of the value of power from hydroelectric projects, must be updated to include nuclear power costs as well as the cost of pumped storage power. We are requesting two additional people to bring this work up to date.

*Licensing of hydroelectric projects*

I have already mentioned several of the Commission programs underway for improving its oldest function—the licensing of hydroelectric projects.

First, and perhaps foremost, has been our progress in speeding the disposition of the license applications that were pending before the Commission. In June 1961, there was a backlog of $2.2 billion in license applications for the construction of new hydroelectric projects. By June 1963, the backlog had been reduced to $1.8 billion and in the past year it has been further reduced to $1.1 billion. In addition to cutting the backlog in half, we have been processing new cases at a much faster pace.

While prompt action is important it is equally important that the projects which we license are those which are designed and planned to assure the most effective use of our Nation's water resources. The Commission's new program of basin-wide water resources appraisal studies is designed to provide us with a more informed basis for making licensing decisions. Let me stress that the basin studies draw upon the accumulated knowledge of other Federal agencies and do not duplicate the efforts of others. This program, which is at no net cost to the Government because the costs are included as part of the reimbursable costs of license administration, must be continued if the Commission is to have an adequate factual basis for assuring that our rivers are developed in a manner which will make the greatest contribution to the multiple purposes they can serve.

*Recreation.*—The FPC is giving an added dimension to the multipurpose use of many licensed projects. Recreation is now a major use of all hydroelectric projects licensed by FPC. The existing impoundments operating under FPC license have a combined surface area of several million acres with thousands of miles of shoreline. Present recreational development at these projects ranges from none at all to full utilization of the resource, but only a few are in the latter category. The Commission plans to inventory the resources available and to work with the licensees and interested public agencies at all levels of government in developing the full potential of these outdoor recreational opportunities.

We are aware that our Nation's population will be doubling long before the expiration of the licenses we are now issuing. The demand for recreation areas by the 400 million people expected to be living in the United States by the year 2000, will be enormous. Almost every one of the 500 reservoirs now under FPC license has a tremendous recreation potential. We are initiating a comprehensive program to insure that this invaluable asset of our hydroelectric projects is fully developed for use by the general public.

We have already taken one significant step. The rules of the Federal Power Commission now require that applicants for a license file an exhibit showing plans for public access and recreation facilities on project lands and waters. Applicants are required, in developing these plans, to secure the cooperation of State and local recreation agencies.

We also expect to make an appraisal of the recreational potential of existing projects. This will require Commission staff manpower but the benefits to the public in many respects will be greater than any other aspect of our licensing work. We ask your support of this worthwhile program, the cost of which will be borne by the licensees.

We are not urging a Federal program requiring the spending of billions of dollars to provide reservoirs and shoreline facilities. The money has already been spent. The recreational assets are already in being. We are only talking about the handful of people required to make these assets available for use by the American people.

*Recapture.*—For several years now we have been alerting this committee to the large additional workload which the FPC must shoulder when the existing hydroelectric licenses begin to expire. That workload is now upon us. Licenses for two projects with a capacity of 82,000 kilowatts will expire in 1968. Other licenses for 25 projects with almost 500,000 kilowatts of capacity will expire in 1970, and the number will increase in succeeding years.

I say the recapture program is already with us because the Commission on October 6, 1964, adopted a rule establishing the policy and procedure for recapture or relicensing. The basic decision is for Congress to make, but the Commission must advise Congress fully of the complex considerations which are involved. It requires at least a 5-year period before the license expires for the Commission to make the necessary studies, receive and evaluate the comments of interested parties, and make its recommendations to Congress in sufficient time to give the required 2 years' statutory notice to the licensee. It is apparent from this timetable that we should be, and we are, already at work on the early projects.

*Unlicensed projects.*—Another important Commission licensing program which requires experienced staff manpower involves the numerous hydroelectric projects which for one reason or another have operated without licenses for many decades. In response to our unlicensed project program, that is, the program to bring within the licensing system all projects covered by the statute, 156 license applications for existing projects with a total capacity of about 1,800,000 kilowatts have been filed to date. These projects, mostly small, are located in 80 different streams. The Commission is attempting to secure voluntary compliance to the extent possible and scores of other owners have indicated their willingness to file license applications in the near future.

This program is important because a small unlicensed project can be a large barrier to full development of a waterway and failure of a small dam can cause loss of life and large damage to property. Many have substantial recreational potential. Once these projects are under license the Commission can inspect them to insure their safety and condition the licenses to fit the projects into a pattern of comprehensive development of the waterway. Fixed and definite recapture provisions will be incorporated for the larger projects.

*Safety of dams*

Recent events have made it apparent that more frequent and more detailed inspections of licensed projects are necessary in the interest of protecting public life, health, and property. There has been a noticeable number of dam failures in recent years in the United States and around the world. Failures have occurred in France, Italy, and Spain which have caused thousands of deaths.

The dam failures have not been confined to foreign countries. Five lives were lost and extensive property damage resulted from the failure of the Baldwin Hills Dam in Los Angeles, Calif., on December 14, 1963. More recently three dams failed in Montana, resulting in increased downstream floodflows and causing extensive damage to property. A number of small dams also failed in North Carolina during heavy rains caused by the hurricane activity last year. None of these dams were under FPC license but we cannot continue to rely on luck alone.

In the past decade the hydroelectric capacity under FPC license has more than doubled, increasing from 7 million kilowatts to 19 million kilowatts. The need for field investigation of new projects is greatest during the construction period. At present 33 projects totaling 10,800,000 kilowatts are under construction. There is also a great need for inspection of the hundreds of old projects now being brought under license, many of which are not owned by utilities with broad engineering capability and can therefore benefit particularly from FPC inspections to insure their safe operation.

More frequent and more detailed inspections are necessary to assure that licensed projects are operated and maintained in a safe condition and so that any incipient weakness can be detected before it assumes serious proportions.

I might add that we are requiring increased inspections for safety by the licensees in an effort to limit our need for manpower. The primary safety

responsibility is on the licensee. The Commission does not propose to relieve licensees of their responsibility, but rather to make sure that the licensees are themselves taking all needed precautions. We have proposed a new rule which will require the licensees to make arrangements for a detailed inspection of propect facilities, by an independent consultant, at 5-year intervals and at such intermediate occasions as may be found necessary. These additional inspections are essential but there is no substitute for an inspection by a public agency whose primary responsibility is to the general public. We are, therefore, asking for 10 additional people to strengthen our program for the field inspection of licensed projects. The cost of this activity will be borne by the licensees as a part of their license fees.

NATURAL GAS

Let me now turn to a discussion of our natural gas program. As I stated earlier we are not asking for any increase in our staff. The Commission is requesting $6,383,000 to carry out its natural gas work in 1966, $140,000 less than we plan to spend in 1965. The 587 positions requested are 11 fewer than in 1965.

The Commission believes it has made progress in natural gas matters in the past year. The billion dollar backlog of pipeline rate cases has now been completely liquidated, with pipeline refunds in the past 3½ years totaling in excess of $644 million, and rate reductions for the future of $156 million per year. On the producer side, the first of the area rate preceedings has moved through the trial stage, the examiner's opinion has been rendered, and the case is before the Commission for a decision which we expect to render in this fiscal year. The four area rate proceedings now underway will fix just and reasonable rates for 75 percent of the gas sold in interstate commerce. In the meantime, producer settlements have resulted in over $103 million in refunds and about $44 million per year in rate reductions. The settlements, coupled with the effect of our guideline ceiling prices in each area, have stabilized producer prices at an average of below 17 cents per thousand cubic feet and have halted a trend of sharp increases which had doubled the field price of gas in the past 12 years.

Natural gas regulation is a going concern. Three and one-half years ago, the ability to attain this goal was by no means evident. The improved status of the industry is evidenced by a recent publication of an investment firm which had this to say:

"The outlook for the gas industry was greatly clarified by the FPC's elimination, between 1961 and 1963, of the enormous backlog of pipeline rate cases. The true earning power of the pipelines can now better be determined. Construction programs temporarily delayed by the regulatory lag are proceeding again. Gas supplies are adequate and the field price of gas should remain relatively stable." (Goodbody Co., monthly letter, Feb. 1965.)

*Pipeline regulation*

The Commission has greatly accelerated the pace of its pipeline certificate work. During 1964, the Commission issued certificates for $748 million in new construction as compared with $686 million in 1963 and $373 million in 1962. These expenditures for steel, labor, and the other items that go into a pipeline construction job serve as a stimulant to the Nation's economy. In addition, natural gas has become available to many new areas as well as to meet the growing needs of existing customers.

The pipeline certificate workload is growing and it is also growing more complex. Applications approximately $1½ billion in new construction are currently pending before the Commission. Over half of the proposed construction is in projects filed within the last 6 months.

About half of the pending proposals represent competing applications to serve the same market. These competitive applications are increasing in number because two or more pipelines already serve most major areas of population and pipeline expansions more and more involve competition for the future growth of existing markets. These cases are complex and require a far greater number of staff man-hours than in a case where there is only a single applicant. Thus, any analysis of the Commission's pipeline certificate work based on numbers alone is misleading. Intensive staff effort in these competitive cases is essential if the Commission is to move these cases along and arrive at sound conclusions as to which of competing applicants will best serve the overall public interest, and on what terms.

There is one class of certificate cases which the Commission has greatly simplified. I refer to the noncontested yearly expansions of pipelines to meet the growing loads of their existing customers. Under the Commission's new procedures such applications are processed on the average in less than 3 months from the date of initial filing. In these cases we rely heavily on management judgments as to their needs for new facilities.

In summary, we have speeded all of our pipeline certificate work, but the increasing number of competitive applications require careful study and scrutiny. The limited staff we are requesting is essential if these cases are to be handled expeditiously and decided correctly.

*Pipeline rate cases*

As I have already mentioned we have liquidated the backlog of pipeline rate cases but this does not mean that the Commission should now retire from the field. On the contrary, as the Senate Appropriations Committee pointed out 2 years ago, the additional staff Congress approved for the Commission " * * * is needed not only to enable the Commission to eliminate its backlog but also to enable the Commission to carry on its work on a current basis in the future, to avoid another situation in which cases accumulate to the point of threatening the welfare of the industry as well as of the consuming public."

Keeping current in our pipeline rate work involves much more than prompt disposition of the rate increase cases which are still being filed. It means company-by-company review of existing rates. The need for a Commission program of periodic reviews of pipeline rates is obvious. With the stabilization of producer prices, unless existing rates are scrutinized, consumers will not receive the benefits of the net reductions in unit costs which many pipelines are achieving. The recently enacted reduction in Federal income taxes is an illustration of a major reduction in expenses which should be reflected in current rates.

The Commission's program for insuring that pipeline rates remain just and reasonable under changing conditions is paying dividends to gas consumers. Last year the Commission's staff scrutinized the level of earnings of the major pipeline systems and negotiated rate reductions with those companies whose earnings appeared to be excessive. Reductions of over $32 million were achieved, a saving which consumers will receive annually.

In light of the recent history of the consequences of inadequate staff I believe no one questions the need for maintaining the existing staff to keep current with our pipeline rate work.

*Producer regulation*

The past year has been one of great progress in producer regulation. The results of our efforts are not reflected so much in refunds or rate reductions, although refunds of $103 million and rate reductions of $44 million a year are not to be ignored, but rather in progress toward a long-term solution of the producer regulation problem.

As you know the Commission is now regulating producer prices on an area basis. We have never underestimated the difficulty of implementing producer regulation even though we have been overly optimistic in past forecasts of the time required to complete the area rate proceedings. However, the first of the area proceedings, the case involving the Permian Basin, is now before the Commission for decision. We heard oral argument in February and we have every prospect and intention of handing down our decision in fiscal 1965.

I believe it would be difficult to overestimate the importance of the Permian proceedings. A sound disposition of that case will not only dispose of hundreds of rate and certificate cases in this large gas-producing area but it should also provide the key to the establishment of just and reasonable rates in all of the other areas.

We realize that clearing up the producer backlog will generate a large workload. The Permian opinion will probably provide the guidelines leading to expedition of the producer rate cases in other areas with a resultant increase in workload. The hundreds of cases which have been held in abeyance insofar as final disposition is concerned will then become a part of current workload.

It will require a great effort to move all of these proceedings to completion even with the guidance of a Commission decision in the Permian Basin. However, I believe that with our presently authorized staff we can look to the coming fiscal year as the one in which producer regulation will begin to become a permanent reality. The producer backlog should then begin to disappear almost as rapidly as our pipeline backlog was eliminated.

There is one area of producer regulation work in which we have already shown great progress. I refer to producer certificate work where the backlog has been cut in half. The backlog of cases has been reduced from 2,927 in July 1961, to 1,691 on January 1, 1965. Hearings are underway in which hundreds of the remaining applications are being tried under procedures which eliminate the need for elaborate cost showings.

Noncontested producer certificate applications are now being disposed of in 6 to 7 weeks from the date they are filed. Our new procedures have completely eliminated the hearing before the examiner in noncontested cases. The applications, after staff screening and notice to the public, are brought directly to the Commission for prompt approval.

The producer certificate workload is a large one. More than 3,400 applications were filed in 1964. A greater number is expected in 1966, especially from southern Louisiana and the Texas gulf coast area, because of an anticipated increase in market demand for gas. A current working inventory is approximately 600 and we hope to approach that by the end of fiscal 1966.

We have now developed an experienced staff to handle the formidable task of producer regulation. In the coming year we are asking only for enough money to maintain these people who have pushed this program far along the road toward success. We trust that this committee and the Congress will agree that we should be permitted to maintain our experienced staff to complete the task of building a permanent foundation for producer regulation in the coming fiscal year.

*Purchase of a computer*

Perhaps a word of explanation is in order as to our decision to recommend that the Commission be permitted to purchase the Honeywell H–200 computer that we have been leasing since October 15, 1964, under an option-to-purchase contract. We have found the computer essential to our work, especially in compiling the mass of information in the area rate proceedings. The computer we have rented is suited to our needs and we propose to buy it because for long-term use purchase is cheaper than renting. The exercise of our option will allow us to purchase the computer at a cost of $260,000. We estimate that on a 1½-shift basis, purchase compared to rental of the equipment will provide us with savings estimated at $61,000 in 5 years; $142,000 in 6 years; and $223,000 in 7 years. The prospects, however, are that we will use the computer on a regular 2-shift operation as we have been doing for the past 4 months. This would produce even greater future savings of purchase over rental.

CONCLUSION

The Commission's programs for both the electric power and natural gas industries are designed to promote the growth of these major sources of energy in a manner that will make the most efficient use of our capital and exhaustible fuel resources. Both of these industries are financially healthy, technologically alert, and are bringing essential supplies of energy to consumers at wholesale prices which have been reduced in the past 3 years. The proper administration of the Natural Gas and Federal Power Acts requires the level of staff we are requesting for a continuation of these cooperative efforts and regulatory programs to provide rates to consumers which are just and reasonable, to facilitate the efficient expansion of these industries, and to assure the largest possible contribution to a low-cost energy base as a foundation for this Nation's industrial strength and growth.

## Budget Request for 1966

Mr. Swidler. Mr. Chairman and members of the committee, we are glad to have this annual opportunity to report to you on our program and to attempt to justify our appropriations. We know this committee looks very hard at our record of performance and devotes a lot of time to the Federal Power Commission.

We are deeply appreciative of the attention which the committee gives to our work. The appropriations approved by the committee and the Congress in the past 3 years have enabled the Commission to revitalize its work in regulating the natural gas and electric power

industries. We are grateful for that support. We believe we have used the funds you have authorized in a prudent way and we trust that our report today will satisfy you that our programs for the future merit your continued support.

This year, Mr. Chairman and gentlemen, marks a turning point because for the first time for many years we are not seeking additional staff for our natural gas work. The billion dollar backlog of natural gas pipeline rate cases has been eliminated and our program for producer regulation is well on its way toward solution.

Mr. THOMAS. You have caught up on your big pipeline cases. Why can it not be reduced by more than 11 jobs?

Mr. SWIDLER. I think the justification will show there is still a great volume of work. We have all of the area rates cases yet to go. The pipelines are growing. Thousands of rate applications are before us. I can assure you that if the experience in the future indicates further reductions can be made, we will make them. We do not hesitate to tailor our staff to the work requirements. I think our reduction in natural gas staff this year is in earnest, that all changes in staff are not necessarily increases, that when we can justify a reduction we will propose it.

On the electric power side we are asking for 47 new positions, which would make an increase of 36 for the agency after deducting the 11 which is on the minus side on the natural gas work. These people are required to handle a major increase in our workload in wholesale electric rate regulations, hydroelectric licensing, and related activities which I shall discuss in detail.

Twenty-eight of these new positions would be reimbursed to the Government by the hydroelectric licensees, and therefore would be at no net cost to the Government, although the additional compensation is reflected in the budget.

Considering the reduction in our national gas staff, the additional cost to the Government for the entire Federal Power Commission program is for a net increase of eight positions. The committee may be interested in a comparison with past periods. The staff we are seeking for our electric power work in 1966 still calls for fewer people than were engaged in electric power work in the Federal Power Commission in 1949. The sharp attrition of the Commission's electric staff, which took place in the 1950's has yet to be overcome. Effective regulation of the Nation's largest industry requires the modest increase in staff which we are seeking.

I can summarize the basic figures very briefly.

The President has requested a total appropriation of $13,539,000 for fiscal 1966. This is an increase of $564,500 over the $12,974,500 which the Commission expects to spend in 1965. The 1965 total is made up of $12,439,500 already appropriated and $535,000 in the pending supplemental request to cover the unabsorbed portion of the pay increase in 1965.

Mr. THOMAS. You have $535,000 supplemental for pay. How much did you absorb? What did the pay act cost you? That is built into your 1965 base, though.

Mr. SWIDLER. Yes, sir.

Mr. TRAINOR. $595,000 is the pay act cost for 1965.

Mr. THOMAS. You just got under the wire, did you not?

Mr. SWIDLER. The $564,500 increase which we are requesting is broken down as follows:

36 new positions with a total cost of $450,000.

Travel increase of $50,000.

COMPUTER PURCHASE

Purchase of a computer which we now rent and which we estimate will amount over a period of years to a very substantial saving, $260,000.

Mr. THOMAS. Where did you get all the money to buy that computer in October 1964? Did you use the authority in the lump-sum appropriation? I think we appropriated about $100,000 and you spent about $350,000. You come up with a bill this yeor of $585,000 and an increase in personnel. We usually like to see a reduction in personnel when you have these big computer bills, but that is not reflected here.

Mr. SWIDLER. We did not buy a computer, sir. We rented one.

Mr. THOMAS. By the mere fact that you had one, there should be an offsetting reduction in personnel cost. It is not here.

Mr. SWIDLER. The figures for computer rental have been reflected in our budget, and I think you will find, if you check back, that in at least two of our prior appropriation hearings we have discussed computer rental.

Mr. THOMAS. We will get to that when we get over to "Other objects." Go ahead.

Mr. SWIDLER. These increases are offset by savings in the current fiscal year in computer rental of $160,000 and a reduction in space, equipment, rentals and repairs, and office furniture of $35,500, making a net increase over 1965 of the figure I mentioned, $564,500.

COLLECTIONS

On the income side of the ledger, the Commission expects marked improvement in bringing revenues into the Federal Treasury. In 1963 we collected $2,839,986 from owners of downstream hydroelectric projects benefiting from upstream Federal projects, much of which was for payments due for benefits received in prior years. Collections were down to $1,297,510 in 1964, but we expect to collect approximately $3 million a year in 1965 and 1966. This compares with the aggregate collections by the Commission in its entire history prior to 1963 of less than $600,000. We have, where legally permissible, also increased the fees charged hydroelectric project licensees to assure that the Government is compensated for the costs of administering part I of the Federal Power Act.

We estimate that our activities will bring into the Treasury revenues of $5,555,362 in 1966. The net cost to the Treasury of the Commission's work in fiscal 1966, offset by the increased payments to the Federal Treasury for licenses and for headwater benefits——

FEES CHARGED

Mr. THOMAS. May I interrupt you, Mr. Chairman? The Appropriation Act gives you authority to set fees on a break-even basis, not only for power but for pipelines and everything else you deal with, does it not?

Mr. SWIDLER. We think so. We think we have some authority to impose additional fees. We have submitted the matter to our counsel. While the question is not open and shut, our counsel advises us that we do have some flexibility in imposing fees, and we are now looking at some possibilities of imposing fees in some of our work, yes.

Mr. THOMAS. What fees do you impose on pipeline cases?

Mr. SWIDLER. None at the moment.

Mr. THOMAS. Why?

Mr. SWIDLER. It has never been done. I do not think I can tell you that it should not be done, sir.

Mr. THOMAS. The act gives you authority?

Mr. SWIDLER. We think so.

Mr. THOMAS. If it does not give you authority, we did not know how to write it broad enough to give you the authority.

Mr. SWIDLER. It is not explicit, but, Mr. Chairman, we have under consideration a rulemaking proceeding pursuant to which we would impose fees in pipeline certificate cases. This seems to us to be the one area in which such fees would be practicable, and we have that under very active consideration.

Additional fees, would not, of course, reduce our need for appropriations, but they would reduce the net cost.

Mr. THOMAS. These funds all go to the miscellaneous account of the Treasury. You get no benefit from it as far as your immediate budget is concerned.

Mr. SWIDLER. That is right.

Mr. THOMAS. But the taxpayers do benefit.

Mr. SWIDLER. That is right. We have this matter under active consideration.

Mr. THOMAS. Go ahead.

Mr. SWIDLER. The figure I was coming to as the FPC's net cost to the Government for the next fiscal year would be on the order of $8 million, which is only a little more than the net cost in earlier years when salaries were lower and the Commission's overall costs were much smaller.

I might say if we imposed additional fees, the net costs would go down perhaps another million dollars.

FUTURE PRESENTATION ON PERSONNEL

Mr. THOMAS. Let me remind your budget officer to be finding his green sheets. He gave us one table in here which gives a little personnel information, but we would like to have it after every section. We want the green sheets on personnel, with number, grade, and salary.

Mr. SWIDLER. We have tried this year, I might say, Mr. Chairman, to present to you our budget both in the familiar functional classifications and also by organization.

Mr. THOMAS. Overall, it is a very nice budget. There are two or three little weaknesses in it.

Mr. SWIDLER. We know this committee is interested in looking at the budget from both points of view.

ELECTRIC POWER

First I should like to discuss the electric power side of the Commission's activities because the coming year represents a critical point in our electric power program.

A highlight of the Commission's program for last year and one of the real achievements of its history was the completion and publication of the national power survey report. The report, although prepared by the Commission, benefited from the work of a network of industry-wide advisory committees, and reflected the contributions of scores of industry leaders drawn from every industry segment and region. For the first time it provided a panoramic view of the industry's past and a vision of its future if all segments worked together to advance their common interests and the interests of power consumers throughout the Nation.

The report does not set forth a blueprint, but it does outline a general plan for industry advance by collaboration in power interconnections, power pooling, and technological improvement.

The Commission is happy to be able to report to you that the report has been accorded a warm and positive reception by all elements of the electric power industry. There are many signs that it has already strongly influenced the industry activities to move forward in the directions I have mentioned.

The survey has reestablished the Federal Power Commission as an active and constructive force in stimulating more economical operations by all segments of the electric power industry. A continuing followup effort is a must if the work of the survey is to bear a full harvest in the form of extra-high-voltage transmission interconnections and other projects for fuller coordination of the power systems throughout the Nation.

EFFECT OF "COLTON" CASE

I shall discuss next the effect of the Supreme Court's decision in the *Colton* case, decided in March 1964, which reemphasized the Commission's responsibility for regulating all of the sales at wholesale by electric utilities in interstate commerce. Adequate staff is necessary to assure that wholesale customers share in the savings from the use of larger units and stronger interconnections which the Commission is stimulating.

Support of these FPC programs will promote power pooling and make low-cost power at wholesale available from the emerging pools. A failure to support the Commission's programs to assure low-cost power at wholesale from large-scale sources will encourage the construction of duplicate generating and transmission facilities which will be wasteful and costly to consumers. A failure to provide adequate staff will also permit the large utilities to reap more than their fair share of the benefits of power pooling and thus deprive wholesale customers and their ultimate consumers of savings they could otherwise enjoy.

Mr. THOMAS. This is a cooperative thing. You have no jurisdiction to tell X company or Y company to go ahead and build new plant or extend their lines over into another State, and so forth. It is purely

cooperative to that extent. But once they do it and start using it, then it is not cooperative.

Mr. SWIDLER. If a company is engaged in interstate commerce, it would be subject to our regulation. Most of the industry is already subject to FPC regulation. To the extent the process of interconnection brings in companies which are not already engaged in interstate commerce, it would result in extension of FPC jurisdiction, but I think the additional jurisdictional impact is relatively small.

Mr. THOMAS. How much has the industry spent looking toward extensions and improvements in operations by virtue of the compact? Perhaps "compact" is not a good word. I will say by virtue of the power survey.

Mr. SWIDLER. I would not be able to put a figure on it because it would be impossible to identify the particular projects and costs that were related to it.

Mr. THOMAS. No horseback opinions available from any of the institutes or groups?

Mr. SWIDLER. In the electric power industry, Mr. Chairman, where investments are so high, if you assumed that the survey had any substantial impact, then you are talking in terms of tens and hundreds of millions of dollars.

Mr. THOMAS. I guess so.

SIZE AND GROWTH OF ELECTRIC POWER INDUSTRY

Mr. SWIDLER. It is an industry with a $50 or $60 billion base and growing at the rate of 7 percent a year or more. You can see the annual increment is very substantial.

Mr. THOMAS. What is it due to? What is the basis of it?

Mr. SWIDLER. Partly it is growth in population, and partly it is a sharing of the overall growth in energy use, which increases faster than population. It is also the result of the fact that the electric power industry is capturing a larger share——

Mr. THOMAS. The economy as a whole increases 4.5 to 5 percent, and this industry comes up with 7 percent. That is a pretty high mark, is it not?

Mr. SWIDLER. That is right. The industry now accounts for about 20 percent of the total energy use of this country. Its proportion of the total market is up by 50 percent as compared with a couple of decades ago. We estimate that electricity probably will supply 30 percent of our total energy by the year 1980.

Mr. THOMAS. Where has most of the growth occurred?

Mr. SWIDLER. A lot of it occurs in electrochemical and electrometallurgical industries. Aluminum takes a very large share. A great deal of it occurs in the course of automation of industry generally, using equipment instead of manpower.

Mr. THOMAS. Could it be broken down roughly into two categories—industry and home use?

Mr. SWIDLER. Yes.

Mr. THOMAS. Home use has shown a substantial increase because you have brought in areas that did not receive service 20 and 25 years ago or even 15 years ago.

Mr. SWIDLER. That is right. In home use, people use continually larger proportions of air conditioners, refrigerators, radios, TV's, washing machines, and hot-water heaters. Space heating is now coming to be a substantial load.

ELECTRIC POWER—UNITED STATES AND JAPAN

Mr. THOMAS. I was taking at look at educational figures and figures on homes served with electric power back a few years ago, and noticed a study that showed that the rate of illiteracy in Japan was about 50 percent less than the rate of illiteracy in the United States, and that the rate of home use of electric current in Japan was much greater than in the United States. That was 10 or 15 years ago.

Mr. SWIDLER. I doubt that is true today.

Mr. THOMAS. It was said you can hardly find a farm in Japan that does not have electric power.

Mr. SWIDLER. There was a time, Mr. Chairman, when Japan exceeded this country in its percentage of rural electrification, but now I think this country very likely has caught up because our rate of rural electrification is 98 or 99 percent.

Mr. THOMAS. I think Japan's 10 or 15 years ago was that high or maybe higher.

Mr. SWIDLER. Yes, and we were far below it, but we have finally caught up.

Mr. THOMAS. Is their power almost all hydroelectric?

Mr. SWIDLER. No, it is not, sir. Japan has large thermal stations, and they will also be increasing their production by the use of nuclear power. They import a lot of oil for their thermal stations. I think maybe our chief engineer, Mr. Brown, can give you some impression of how the sources of power break down in Japan.

Mr. BROWN. I do not have the figures with me, Mr. Chairman. I think your statement is substantially correct. Japan has physiogeographic conditions which are very conducive to the development of economic hydroelectric power. They are members of the International Commission on Large Dams, and are very active participants in hydro developments. I do know that they have a very substantial base of hydro.

Mr. THOMAS. What fuel do they use to make electric current? Oil and coal? Japan has no oil of its own, has it? It is my understanding it has very little coal. Has it much coal?

Mr. BROWN. I really cannot give you statistics on that, Mr. Chairman.

Mr. SWIDLER. Would you like us to supply some figures for the record?

Mr. THOMAS. All this is ancillary.

Mr. SWIDLER. We receive the report of the Japanese electrical authorities, and we supply our own to them. We have the figures available.

Mr. THOMAS. My only point in bringing it up was to pat ourselves on the shoulders about how much progress we are making, but a lot of people in other parts of the world are just about on parity with us and may exceed us.

Mr. SWIDLER. Three countries have larger per capita electric use than the United States. I believe they are Norway, Sweden, and Canada. They are all three countries with greater dependence upon hydroelectric power than the United States. I think they use electricity for economic reasons for many purposes for which we would use coal, or oil, or natural gas.

ECONOMICS OF HYDROELECTRIC AND NONHYDROELECTRIC POWER

Mr. THOMAS. What is your horseback opinion on the economics between hydroelectric and nonhydroelectric? Is there a horseback opinion?

Mr. SWIDLER. It is a question of a particular project at a particular location. We see quite a bit of economical hydro, but the economic picture changes, Mr. Chairman, with the times. As the utilities have developed greater peaks in their load patterns, it has become possible to develop some sites for hydro purposes that were not economical before, putting in more capacity than previously and using that capacity for a shorter period of time each day to serve the peaks.

Mr. THOMAS. Assuming the same state of facts in hydro and nonhydro, how much cheaper is hydro, if any?

Mr. SWIDLER. I do not think you can put it on that basis. I think in each location you look at the hydro and you look at comparable costs from efficient steamplants that might be put in that location, take into consideration the particular sizes of generating units which the area could accommodate, and you say for this next increment of load the cheapest thing to do would be this one or the other, depending upon the economic comparison. In one situation and at one time it might be hydro; and in another it might be steam. We know there are still some undeveloped hydros which would provide cheaper power than any steam in the area. At many locations hydroplants are becoming increasingly disadvantaged as steam costs go down.

Mr. RHODES. Does it not depend, too, Mr. Chairman, on the use you make of the hydro? In other words, can you not justify a higher cost for hydro if you are using it for peaking power than you can if you are using it for firm power?

Mr. SWIDLER. Yes, sir. If the location is such as to permit you to install a lot of capacity and use it on peak, this might make possible the development of a site which you could not justify for baseload purposes.

Mr. THOMAS. Go ahead.

PUMPED STORAGE

Mr. SWIDLER. There is one other point which I might add. There is a new factor in the picture so far as hydro-license applications are concerned. I refer to pumped storage plants which are really a way of converting thermalpower into hydro form. These projects do not require a large reservoir. The plants pump the water out of the lower reservoir or a river up into a reservoir at the top of a hill or mountain. There is a daily cycle. The water is pumped in offpeak hours and released for generation on the peaks when it has much greater value. It takes about 3 kilowatt-hours of thermalpower used in pumping to

generate 2 kilowatt-hours of hydro. In more efficient plants that might be changed to 4 kilowatt-hours of thermal to 3 kilowatt-hours of hydro. The loss is more than compensated for by conversion from offpeak thermal to onpeak hydro.

We have many such license applications aggregating several million kilowatts capacity.

Mr. RHODES. The largest one I can think of right now probably would be the San Luis project in California. It is a reclamation project. The main reservoir actually is higher than the canal which furnishes water to it.

Mr. SWIDLER. The largest we have licensed is the Cornwall project, which is a 2-million-kilowatt project.

Mr. O'CONNOR. Taum Sauk is probably the largest one in operation, 350 megawatts.

Mr. SWIDLER. I will ask Mr. Brown to answer the question about the project in California.

Mr. BROWN. I am not acquainted with the capacity of the San Luis project, but I may be able to lay my hand on it here in a minute.

INTERCONNECTIONS

Mr. RHODES. May I ask a further question on that subject. Mr. Swidler, in your study on interconnections, do you include public power facilities?

Mr. SWIDLER. Yes, we do.

Mr. RHODES. In other words, your study is of the total resources of the United States for power production in an effort to devise means of interconnection which will be of benefit ultimately to the power consumer?

Mr. SWIDLER. That is right. One of the great benefits that we see in the work we have been doing, and propose to continue if funds are made available, is that we have brought together the leaders from the various segments of the industry and have encouraged them to pool their talents and pool their resources and plan together to meet their combined load. The electric power industry has been bedeviled in the past by controversy among the various segments. These controversies have prevented the various segments of the industry from working together even when all of them could profit from cooperation. We have provided a forum where all segments have been meeting together and where they have made a beginning at joint planning.

Mr. RHODES. It always has fascinated me, Mr. Chairman, as to how you can take a given capacity for the production of electricity in plant A and a given production capacity of plant B and increase the total capacity of the two by interconnecting. Mr. Swidler, has anybody a statement that you can put in the record explaining why interconnection pays?

Mr. SWIDLER. Yes, indeed. I might say there is a very detailed study of this phenomenon in the National Power Survey, where the staff of the Commission have analyzed the benefits of interconnection, both on a local, regional, and eventually on a national basis, and have attempted to put numbers on the benefits that you obtain as the area of interconnection increases.

Mr. RHODES. If it is not too long, I think it might be well to get at least a digest of it into the record. It is a very interesting phenomenon.

Mr. SWIDLER. We will do that.

(The information supplied follows:)

[Extracts from National Power Survey issued by the FPC, December 1964]

CHAPTER 12. GENERAL CONCEPTS OF COORDINATION

A key characteristic of the electric power industry is that electricity must be available continuously and instantaneously in whatever amounts customers may demand. The electric utility industry through many decades has constantly improved the quality of its service to its customers and today sets very high service standards. It is no less a public utility responsibility that customers be served at the lowest possible cost—a cost which reflects every economic advantage within practical reach. This chapter outlines the economic advantages of coordination among electric utilities.

Evolutionary advances in the technology of power systems equipment justify the prediction that substantial reductions can be made in the cost of power in the several decades ahead. These advances, many of which have been mentioned in earlier chapters, pervade all phases of power system design and operation. Some of them, especially in the field of distribution, are achievable independently by each electric system, large or small. Many of the advances, however, will be related to scale, and can be fully effective only if the industry coordinates the power supply of whole groups of systems on an area, regionwide, or even nationwide basis.

INTERSYSTEM COORDINATION

While the planning of most systems to date has largely proceeded on a local basis, much has been achieved by the power industry, particularly in recent years, in power supply planning that looks beyond the boundaries of a single system. Utility managers are becoming increasingly cognizant that substantial reductions in power supply costs can be achieved through coordinated intersystem planning, construction, and operation. What is now needed is acceleration of the trend toward increasingly comprehensive coordination over expanding geographic areas.

Coordination is a vehicle by which groups of electrical systems through common action can obtain the benefits of economy of size in the planning and development of sources of power supply and transmission. There are two essential prerequsites for full coordination. One is the construction of adequate transmission line interties and associated equipment to permit an uninterrupted and economical flow of electric energy throughout the electric network. The second is intersystem planning and the formulation of agreements between the interconnected systems to take full advantage of all of the economic opportunities for the construction and operation of facilities that will result in the lowest overall cost of power, with equitable sharing of the costs and benefits.

Coordinated intersystem planning of capacity requirements to supply diversified regional loads will enable the utilities to meet the same demand for electricity with a significant savings in generating capacity. The savings result from taking advantage of diversities in the loads of the participating systems and from reduced requirements for reserves. Capacity can be shared among the coordinating utilities to meet the coincident peak demand of the regional load, thus taking advantage of load diversity between systems, and providing savings which are discussed more fully in chapter 13. Also, intersystem planning makes possible reductions in total generating reserve requirements in several ways. Smaller reserves are needed for unscheduled generator or transmission outages. Reserves for scheduled maintenance can also be reduced through coordinated maintenance schedules, with larger pools of capacity thus available to meet unscheduled outages or to serve other purposes. Moreover, standby reserves for meeting unpredicted growth in loads may be smaller. These savings in reserves through coordination are discussed in detail in chapter 14.

Regional and interregional coordination also makes it possible to utilize larger and more economical generating units which are operated at higher load factors and produce electricity at the lowest possible cost per kilowatt-hour. Once the systems in a broad area are intertied with a large capacity transmission system

there are further benefits in selecting the optimum plant types and locations, cheapest fuel sources and lowest fuel transportation costs, and most economical plant design and construction. Local limitations on fuel sources water supplies and air pollution, any of which may involve economic penalties, become less controlling.

### COORDINATION AT ALL LEVEL

The need for effective intersystem coordination is not limited to the major utility systems of the country. The smaller systems, especially those now operating in virtual isolation, also have much to gain from coordination. Successful coordination over broad areas of the Nation must begin with a coordination in smaller units. For example, extensive "coordination" comes into being almost automatically within large systems under single ownership or management. The next step in coordination is in the formation of "pools" of two to a dozen or more systems in close proximity with one another, including small municipal systems, cooperatives, and local investor-owned systems. The combined assets, loads, reserves, and bargaining power of these pools, enable them to participate with their contiguous neighbors in a larger network in order to receive the further benefits that may be afforded by coordination on an expanded scale.

The achievement of full industry-wide coordination will not be achieved automatically. It will require a spirit of enterprise and cooperation by all concerned and an equitable sharing of responsibilities, costs, and benefits. The potential role of small systems in a fully coordinated national power supply receives detailed analysis in chapter 16.

### ECONOMIES FROM COORDINATED PLANNING

Most of the benefits of full coordination arise from reduced overall generating capacity requirements and the lower unit costs achievable in the planning and construction of new facilities. When one considers that the Nation might require more than 500 million kilowatts of capacity by 1980, every 1-percent capacity saving amounts to a $500 million saving for the consumers who must ultimately bear the cost. The more important opportunities for such economic gains are described below.

*Load diversity*

The simultaneous peakload of a group of systems is almost always less than the sum of their separate noncoincident peaks, owing to differences in types of load served, time zone differences, and diversity resulting from seasonal variations in loads. In 1960, the sum of the individual system peaks for the contiguous United States was nearly 12 percent higher than the national coincident peak. Strong interconnections to permit the sharing of capacity to meet the individual peaks results in a reduced total capacity requirement. These relationships are more fully discussed in chapter 13, which presents estimates of the diversity savings to be expected from stronger interconnections.

*Reserve generating capacity*

Reserve generating capacity is needed to provide a margin of protection against two major contingencies: breakdowns of generating units and underestimates in the load forecasts upon which capacity planning had been based. Additional reserves may also be needed to cover scheduled maintenance and in some cases, transmission outages.

By sharing reserves through interconnections, a group of systems can reduce the combined reserve for unscheduled outages, since it is unlikely that maximum outages of units on all systems will occur at precisely the same times. The pooling of reserves is based on the same principle as that offered through the pooling of risks by insurance companies. The use of large, economical units increases the importance of reserve pooling because each system should have access to a reserve at least as large as its largest unit.

The analysis presented in chapter 14 suggests that the 1980 reserve requirement for forced outages associated with the large unit sizes which are economical with full coordination would be only about 8 percent of the peak with nationwide pooling of reserves but with the same units would be 17 percent, or more than twice as great, if reserves are pooled separately in the 16 coordination study areas. Interconnected systems can also share reserve capacity for load forecasting errors by pooling their load estimates, since errors in forecasts independently made by the individual systems may be partially offsetting. For the

Nation as a whole this saving is estimated to be about 3 percent of the peakload. Chapter 14 discusses in detail the reserve savings made possible by increased interconnection.

*Size of steam-electric generating units*

By scheduling new generating capacity to meet their combined load growth, systems which coordinate their expansions are able to install larger and more economical units than they could justify separately. A 1-million-kilowatt coal-burning unit should show savings of 20 to 30 percent in capital costs per kilowatt over a similar 100,000-kilowatt unit. Under base load operating conditions the corresponding savings in generation costs per kilowatt-hour, including fuel, should be about 30 to 40 percent. A large new unit is put to use more quickly when it is used to meet the combined load of a large pool, and the extra reserve requirement associated with increased unit size is minimized by the sharing of reserves through interconnections. Large generating plants can bring further savings of large magnitude from the use of such large-scale, low-cost means of fuel transportation as the integral train. The savings in lower cost fuel transportation available at large plants can double or even triple the savings resulting from the increased efficiency of the plants.

*Location of new generation and transmission capacity*

Large generating units and strong interconnections do not in themselves constitute full coordination: power stations and transmission lines must also be properly located with relation to the combined service areas of the systems involved. The interlocking, irregular service area patterns of the major utility systems make this aspect of coordination particularly important.

The most economical generating sites for serving one system's load are often located in another system's service area, and the most economical backbone transmission pattern for a group of systems almost inevitably cuts across individual service areas. For example, the Virginia Electric & Power Co. is constructing a 500-kilovolt a.c. transmission loop to connect its mine-mouth generating plant now being built outside of its service area near Mount Storm, W. Va., with its existing network. This 350-mile circuit will become part of a major network interconnecting the company's system with neighboring systems to the north and the south. Subtransmission lines of fully coordinated systems may also involve numerous lower voltage interconnections and tapoffs where it is most economical to serve part of the distribution area of a system from the subtransmission lines of another system.

*Planning peaking sources*

Planning of peaking capacity on a joint basis may result in justifying very large new and expanded hydro installations, pumped storage or thermal peaking plants, which will carry the load peaks of a group of utilities at much lower unit cost than if each utility had tried to supply its own peaking capacity. The Niagara power project of the Power Authority of the State of New York illustrates the unique use of pumped storage facilities for increasing the peaking capacity of the plant. The United States and Canada have agreed for scenic purposes to maintain a minimum flow of 100,000 cubic feet per second over the falls during daylight hours (bypassing the turbines) and to allow this flow to be reduced to 50,000 cubic feet per second during the night. Thus the allowable use of the Niagara River for power generation is greater during the night hours but the need for power is greater during the day. The unneeded flow is therefore pumped up to an artificially created reservoir at night and as added capacity is needed on the following day, the stored water is released through the reversible pump-turbine units which can develop 240,000 additional kilowatts. The same water then flows through the main Niagara plant. The companion plant of the Hydro-Electric Power Commission of Ontario is similarly arranged. These arrangements are based upon the availability of the peaking power to a large power pool.

*Most economical planning and operation of hydroelectric resources*

The coordinated planning and operation of hydroelectric facilities in a river basin, a concept now rather commonly accepted, can yield large benefits compared to noncoordinated developments. The interconnection of two or more areas which have hydroelectric facilities will frequently yield added firm power or dependable capacity because of diversity in streamflow patterns.

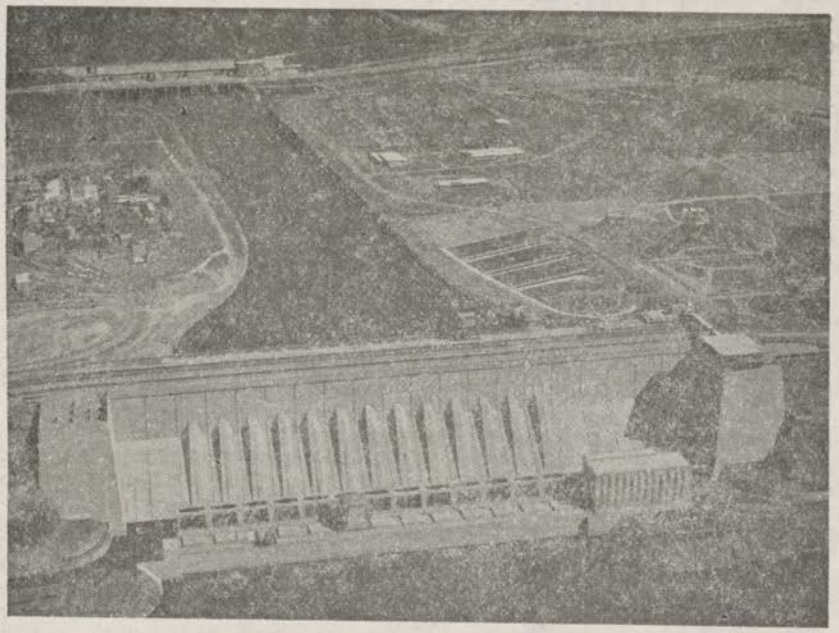


FIGURE 100.—The Robert Moses Niagara Power Plant of the Power Authority of the State of New York houses 13 150,000 kilowatt hydrogenerators, largest ever built in the United States. The 12 units in the Lewiston Generating Plant, background, are operated as 37,500 horsepower motor pumps to fill the reservoir at night when extra Niagara River flow is available and as 20,000 kilowatt generators for added peaking capacity during the daytime. Total installed capacity in this two-dam project is 2,190,000 kilowatts.

In addition, interconnection of hydro-based systems with thermally based systems can result in fuel saving through utilization of surplus hydroelectric generation during high riverflows. At times of low flow, offpeak thermal generation can supply the energy needed to maintain a given level of dependable hydroelectric capacity.

For example in 1941 TVA and the Aluminum Co. of America entered into agreement whereby TVA would operate the two systems as though all the plants were members of the same system. The Aluminum Co. receives as a minimum as much power as their plants would have produced under the most efficient independent operation and shares in the added power produced under the coordinated plan of operation. This arrangement has worked well for both parties and was renewed with minor modifications on a long-term basis in 1962.

*Coordinated dispatching*

Full coordination of dispatching allocates the total load of the combined systems among individual units in the most economical manner. This requires that each increase in total load be met with the smallest possible increment of operating costs to the combined systems. Maximum savings in production costs can be realized only when the combined systems follow substantially the same criteria and procedures for exchanging economy energy (energy which the receiving system could supply from its own resources, but at greater cost) as they do for the dispatching within their own systems. This necessarily involves not only the operation of steam-electric units but also the timing of hydroelectric and pumped storage reservoir releases. The increasing sophistication of computers and automatic control equipment has improved the effectiveness of dispatching to the point where fully coordinated dispatching is now feasible. The prospect that computers and control techniques may change markedly in coming years makes it difficult to predict the mechanics of coordinated dispatching for large areas in the future.

The P–J–M [1] power pool, a closely interconnected group of nine nonaffiliated systems, was among the foremost in the early application of economic dispatch equipment. Information continually and automatically supplied to a central dispatching office in Philadelphia and processed by a digital computer, which is programed to account for all significant variables in cost of generation and transmission, controls the selection and loading of the units in the entire pool, minute by minute. The capacity of the pool network is such that capacity from any generating unit is available for selection to serve loads as needed anywhere in the pool area.

*Maintenance scheduling*

All generating units must be taken out of service periodically for maintenance. The frequency and length of the out-of-service period depends upon the type, age, and size of the unit. The close coordination of systems can have two opposing effects on the program of unit maintenance. As system loads are combined, the relative spread between the peaks and the valleys of the load decreases and thus the amount of daily and seasonal offpeak time available for maintenance is reduced. This effect can be observed in figure 102 of the next chapter in comparing the relatively large magnitude of seasonal valleys of the two individual load curves with the smaller valleys of the combined load curves. However, through coordinated planning of maintenance among the interconnected systems, programs can be arranged to minimize the aggregate capacity of baseload units which are removed for maintenance at any one time. Such coordination helps minimize the amount of generating capacity needed solely for maintenance. This subject is discussed in greater detail in chapter 14 and estimates are included on the capacity required solely for maintenance for various levels of coordination.

*Operating reserves*

Interconnected operation requires a sharing in the responsibility for providing "spinning" reserve needed to provide for sudden increase in load or loss of equipment. Coordinated operation reduces the need for spinning reserves just as it reduces the need for total reserves. In addition, it broadens the selection of equipment available to carry the spinning reserve.

### SUMMARY AND CONCLUSIONS

The purpose of the survey is to direct the industry toward the most economical means of supplying the Nation's fast growing power needs, both short range and long range. The greatest total savings to all power users can be achieved only through planning which looks far beyond the requirements of a particular system or locality. Growing power requirements and technology demand that all electric utilities work closely together. Consumers are entitled to be served as economically as possible regardless of how ownership of the facilities may be shared among individual systems.

The industry has taken commendable steps in the direction of wider coordination. Whenever the parties show a willingness to work together a solution can be found to the complex problems involved in measuring and equitably sharing the benefits and burdens involved in such cooperative effort.

Full coordination will require large investments for added transmission lines and related facilities, including those needed for conveying energy supplies from larger generation centers and for the control systems needed for efficient large-scale interconnected operation. An attempt has been made in the following chapters, in a spirit of objectivity and without regard to differences and rivalries among the various segments of the industry, to set forth the benefits attainable through coordination, and to appraise the range of added costs which must be deducted from such benefits.

## CHAPTER 17. OUTLOOK FOR COST REDUCTIONS

The final consideration in the survey, and the one of greatest significance to the industry and consumers, is the influence of the projected trends and suggested patterns on the price of electricity in the future. The numerous factors that have a bearing, directly or indirectly, on the cost of furnishing electric

[1] The Pennsylvania-New Jersey-Maryland Interconnection, see table 60 for participating companies.

service have been covered in earlier chapters. While these factors cover a broad interrelated front, they can be grouped generally into five principal categories.

The projected generous growth of future loads as discussed in chapter 2 and the accompanying large increase in use per customer is undoubtedly one of the most important factors.

A second is the vast array of current and potential improvements in the facilities of the industry. The trends and improvements in generation are presented in chapters 4 through 9 and in transmission and distribution in chapters 10 and 11.

The cost of fuels for generation, which account for about 15 percent of the total delivered cost to the consumer of steam generated electric energy, is another element of much importance. The future availability of the various fuels and the probable trends in their cost are summarized in chapter 3.

The fourth category concerns the savings that can result from a sweeping extension in the coordination of system planning, construction and operation, particularly with respect to generation and transmission facilities. These are extensively analyzed in chapters 12, 13, and 14 and a possible pattern of future generation and transmission is presented in chapter 15 and for small systems in chapter 16.

The last category includes reductions in the price of power that can be effected by reducing the costs of financing and from recently lowered Federal income tax requirements.

In this concluding chapter, we seek to estimate the average price of electric energy for the period around 1980, to relate this projected price to price trends in recent decades, and to appraise the general magnitude of the principal factors affecting cost reductions.

## SUGGESTED TARGET FOR 1980

The estimated price for power achievable by 1980 is premised on the magnitude of plant investment and operating costs to be expected in that year, founded on the general pattern of generation and transmission presented in chapter 15. Basic fiscal assumptions underlying these estimates are outlined in a later paragraph.

The study reveals that a reduction can be expected in the nationwide average price per kilowatt-hour from about 1.7 cents today to about 1.2 cents in 1980.[1] This is an average price for all ultimate power sales including residential, commercial and industrial.

This target should not be interpreted as the result of precise forecasts but rather as an estimate based on various assumptions regarding future developments, some of which are not within the industry's control and are difficult to predict with confidence. Nevertheless, we believe that the goal of 1.2-cent power by 1980 is within the industry's reach. It is consistent with the industry's history of accomplishment, particularly since 1940, with the expected continuing evolution of technology, and the latent economies of scale that can accompany the increased loads and higher use per customer.

In presenting a target for the industry's future planning, we recognize that it will need to be reviewed from time to time on the basis of later information regarding current trends and future prospects.

How these reductions are related to the principal components in the cost of power is shown in table 72. In brief, we estimate that the generation component wil be reduced 26 percent and distribution 35 percent. The cost of transmission per kilowatt-hour will remain the same as it is today, because of the numerous added major transmission interconnections between systems, areas and regions, but these new transmission facilities help to make possible the reduction in generating costs.

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[1] These figures are 1.68 cents and 1.23 cents before rounding as shown in table 72.

TABLE 72.—*Component costs of power supply* [1] *(per kilowatt-hour)*

| | Actual 1962 (per kilowatt-hour) | Percent of total | 1980 projected (per kilowatt-hour) | Percent of total | Reduction (per kilowatt-hour) | Percentage reduction |
|---|---|---|---|---|---|---|
| | *Cents* | | *Cents* | | *Cents* | |
| Generation | 0.85 | 51 | 0.63 | 51 | 0.22 | 26 |
| Transmission | .17 | 10 | .17 | 14 | | |
| Distribution | .66 | 39 | .43 | 35 | .23 | 35 |
| Total | 1.68 | 100 | 1.23 | 100 | .45 | 27 |

[1] Costs such as administrative and general expenses and the annual fixed charges on "General" plant, not directly assignable to these 3 components, have been allocated thereto on the basis of proportion of direct costs.

### PAST PRICE AND RATE TRENDS

A review of past trends in the delivered price of electricity provides an encouraging point of departure for our discussion of an attainable target for the industry in the future. As depicted in figures 139 and 140, the ultimate consumers of electricity in 1926 paid an average of 2.7 cents a kilowatt-hour. By 1940 this figure had been reduced to 2.1 cents. Notwithstanding the ensuing wartime and postwar price inflation, by 1950 the average price had declined to 1.8 cents. The 1950's were characterized by further inflation, and the exceedingly rapid expansion of the industry's capacity. Even so, by 1960 the average price to consumers had fallen to about 1.69 cents, and in 1962, it was 1.68 cents a kilowatt-hour, about 40 percent below the average price in 1926.

The dominant factor in these declines in the price of electricity is the increase in the per capita consumption of electricity, with the accompanying increased efficiency in its generation, transmission and distribution.

Under the block system of rates almost universally employed in the United States, the cost of electricity per kilowatt-hour automatically goes down with increased usage because a greater proportion of the use is in the lower priced rate blocks. Thus the average price to the consumer per kilowatt-hour declined during the decade of the 1950's because of increased consumption even though during that period rates actually were slightly increased.

*Average price of electricity to ultimate consumers, in actual and 1963 dollars, 1926–63*

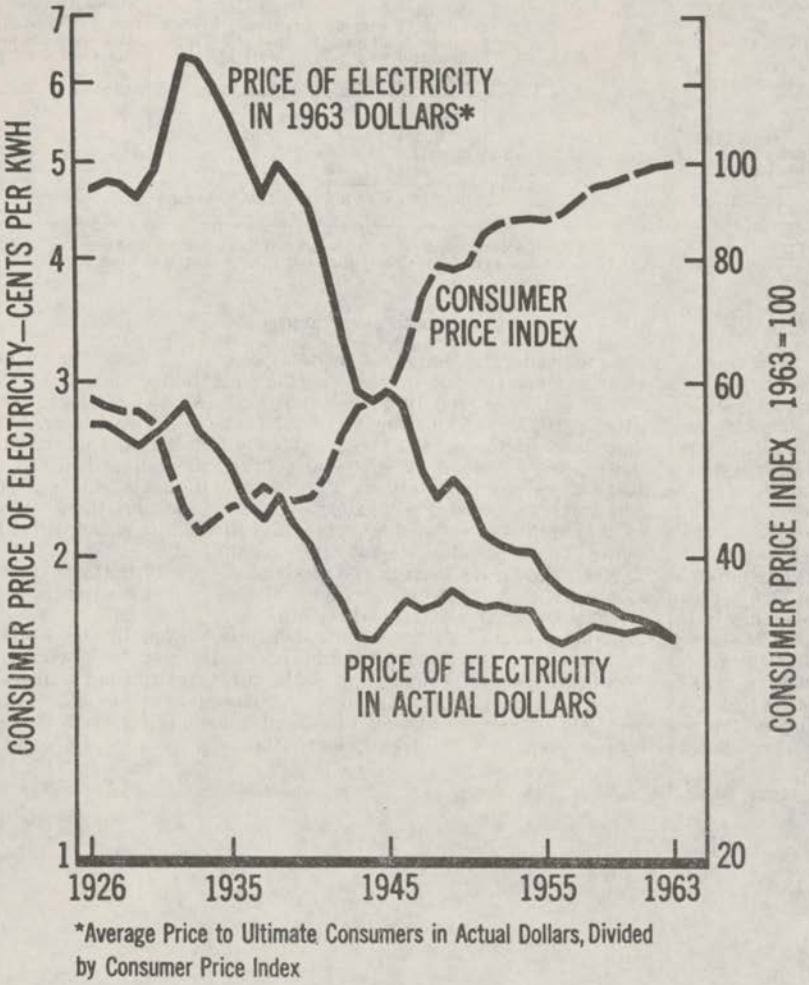



FIGURE 139

The price inflation during and after World War II exerted strong upward pressures on costs of production throughout the economy, but these pressures were more than offset in the electric utility industry by steady improvements in power technology, the economies arising from consolidating and interconnecting systems, and the economies of scale accompanying the rapid growth of customer loads. The electric utility industry is less sensitive than most industries to general inflationary pressures, because its total costs include a much larger component of fixed charges. Thus, price changes in plant and equipment are not immediately reflected in utility costs, because plant and equipment are generally carried in the rate base at their original cost.

*Actual and projected changes in average price of electricity to ultimate consumers, 1926 to 1980*

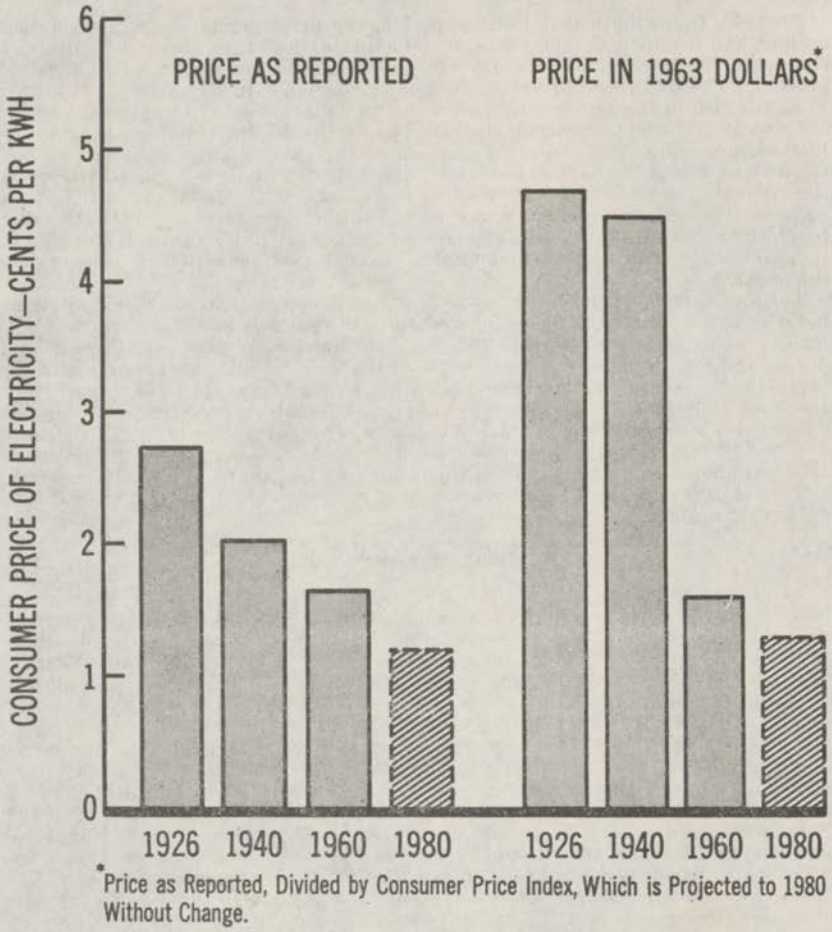



FIGURE 141

The resistance of electric rates to inflation has beneficially affected the consumers' welfare since 1940 as well as the industry's ability to compete and grow. Moreover, the importance of competitive factors such as private generation and the aggressive marketing programs of the natural gas and oil industries, and also indirect competition (by comparison) between segments of the electric industry itself and within segments, cannot be overlooked. The fact that the industry provides only a single product or service even though under varying cost conditions leads inevitably to intraindustry comparisons which serve as a spur to management.

In order to give some indication of the significance of inflation on the price of electricity, particularly since 1940, for illustrative purposes we have adjusted the past trend of average unit prices of electricity for changes in the purchasing power of the dollar by dividing the actual prices by the Consumer Price Index. The result of that adjustment is shown by the line labeled "Price in 1963 dollars" in figure 139. The adjusted series provides a rough measure of the change in the "constant dollar" average cost of electricity per kilowatt-hour over a broad sweep of years.

As illustrated in figure 140, a kilowatt-hour of electricity in 1926 cost about 4.7 cents in terms of 1963 dollars, compared with an actual figure of about 2.70 cents.

By 1940, following a deflationary period, the price per kilowatt-hour in 1963 dollars had declined to 4.50 cents, a reduction of less than 5 percent, although the actual decline, unadjusted for change in purchasing power, was almost 25 percent. The difference in values reflects the decrease in the general price level (i.e., the rise in the purchasing power of the dollar) during the 1930's.

From 1940 to the present, on the other hand, the decline in price per kilowatt-hours expressed in 1963 dollars was about 60 percent, although in actual dollars the decline was only about 20 percent. The 60-percent figure probably overstates the reduction since 1940 because all of the effects of the inflation of the 1950's have not yet been experienced and reflected in the rate structure. On the other hand, the actual price decline of 20 percent in the face of a substantial amount of inflation since 1940 grossly understates the effective reduction in price to the consumer.

The suggested target represents a 27-percent reduction in price per kilowatt-hour by 1980—larger than the 20-percent decline since 1940. However, it is misleading to compare the recorded 20-percent decline in the price per kilowatt-hour during the inflationary period since 1940 with the projected 27-percent reduction by 1980. We are not reflecting any inflation in our target for 1980 so that when the large inflation in the 1940 to 1960 period is considered, we are assuming an appreciably slower pace of reduction in terms of "constant dollar" prices between now and 1980 than that experienced since 1940, and slightly slower than that since 1950. It should be noted that the projected growth in annual electricity use from 1960 to 1980 is somewhat smaller in percentage terms than the actual growth rate from 1940 to 1960.

### PROJECTED POWER COSTS BY REGIONS—1980

As present there are large differentials among various regions in the average cost of power. This is apparent from table 73, which shows the actual average price of power in each region in 1962 and our estimates of the attainable prices in 1980. As of 1962, the price was lowest, at 0.87 cent per kilowatt-hour, in region VII (encompassing chiefly Washington, Oregon, Idaho, Utah, and most of Montana). This area benefits from an abundance of low-cost hydroelectric resources, the advantages of which have been enhanced by large projects carrying low Federal and public fixed charge rates, and by a high average usage per customer. The highest prices of 2.18 cents, 2.16 cents, and 2.15 cents, respectively, were in region IV (broadly encompassing the States of Wisconsin, Illinois, Minnesota, Iowa, and a large part of Missouri), region I (covering new England, New York, New Jersey, Delaware, and most of Pennsylvania, and Maryland) and region VI (Colorado, Nebraska, North and South Dakota, and Wyoming) all of which have relatively low customer usage.

Our target estimates for the different regions imply a considerable narrowing of these differentials by 1980, as illustrated in figure 141. Reductions are projected for every region, but the largest percentage reduction is projected for region IV, now the highest cost power area. Reductions of 30 percent or more are also shown for regions I, V, and VI which have above-average costs. Virtually no change in unit cost is shown for region VII. This is attributable in part to the low present base which does not permit the same scope for future improvement as in the higher cost areas, as well as to the lessening availability of highly economical hydroelectric sites in the region and the necessity for growing dependence on thermal generation in the late 1970's. Nevertheless due to its low rate level, use per customer in this region is expected to increase by a larger number of kilowatt-hours than in the other regions.

These projected reductions in the price of electricity are based in part on reduced costs of fuel transportation and more transmission interconnections, making it possible to have broader distribution of low-cost power. However, a major contributing factor is the substantial increase projected in customer usage. Increases in the number of customers and average use per customer for the eight FPC statistical regions are summarized in table 74 which indicates that the greatest percentage increases in use per customer are expected to occur in regions V and VI.

A comparison of table 74 with figure 141 shows that the trend toward gradual convergence of unit costs among the eight regions will be accompanied by a

similar trend toward uniformity in usage per customer. Taken together, the similarity of these two trends is important evidence of the interdependence of electric price levels and growth.

*Projected narrowing of regional differences in power costs 1962–80*

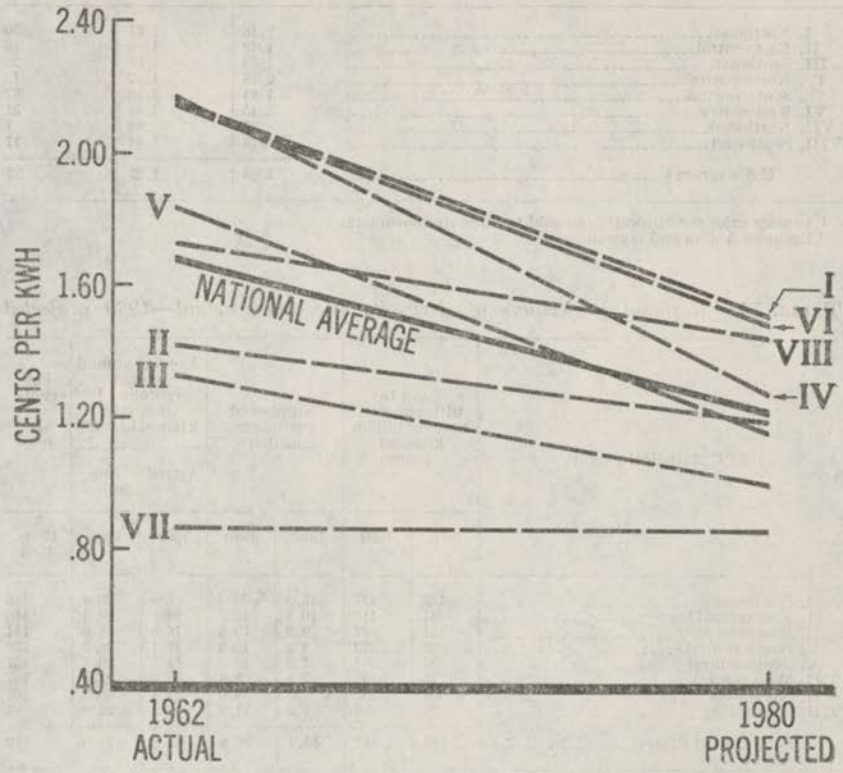
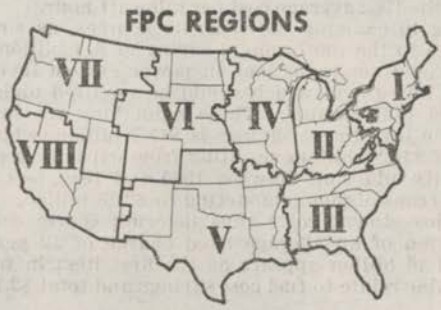



FIGURE 141




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TABLE 73.—*Price of electricity by region* [1]

[Cents per kilowatt-hour]

| Region | 1962 actual | 1980 projected | Percentage reduction |
|---|---|---|---|
| I. Northeast | 2.16 | 1.51 | 30 |
| II. East central | 1.42 | 1.19 | 16 |
| III. Southeast | 1.33 | 1.00 | 25 |
| IV. North central | 2.18 | 1.27 | 42 |
| V. South central | 1.84 | 1.16 | 37 |
| VI. West central | 2.15 | 1.48 | 31 |
| VII. Northwest | .87 | .86 | 1 |
| VIII. Southwest | 1.73 | 1.44 | 17 |
| U.S. average [2] | 1.68 | 1.23 | 27 |

[1] Average price per kilowatt-hour sold to ultimate consumers.
[2] Excludes Alaska and Hawaii.

TABLE 74.—*Regional projections of electricity use, 1962 actual—1980 projected*

| FPC statistical region | Sales to ultimate customers (billion kilowatt-hours) | | Number of customers (millions) | | Average annual use per customer [1] (thousand kilowatt-hours) | | Percentage increase |
|---|---|---|---|---|---|---|---|
| | | | | | Actual | Projected | |
| | 1962 | 1980 | 1962 | 1980 | 1962 | 1980 | 1962–1980 |
| I. Northeast | 152 | 427 | 15.5 | 20.9 | 9.8 | 20.4 | 108 |
| II. East central [2] | 147 | 410 | 10.4 | 13.5 | 14.1 | 30.4 | 116 |
| III. Southeast [2] | 151 | 497 | 9.0 | 13.8 | 16.8 | 36.0 | 114 |
| IV. North central [2] | 92 | 273 | 8.3 | 10.3 | 11.1 | 26.5 | 139 |
| V. South central | 84 | 304 | 7.3 | 10.3 | 11.5 | 29.5 | 157 |
| VI. West central | 16 | 57 | 1.8 | 2.4 | 8.9 | 23.8 | 167 |
| VII. Northwest | 61 | 201 | 2.5 | 4.0 | 24.4 | 50.2 | 106 |
| VIII. Southwest | 77 | 264 | 6.3 | 11.6 | 12.2 | 22.8 | 87 |
| Total United States [3] | 780 | 2,433 | 61.1 | 86.8 | 12.8 | 28.0 | 119 |

[1] All customers including industrial. Not to be confused with data on average residential use. For projected growth in residential use, see p. 42.
[2] Includes effect of large AEC diffusion plant loads.
[3] Excludes Alaska and Hawaii.

EVALUATION OF SOURCES OF COST SAVINGS

The projected unit cost of power in 1980 of 1.23 cents per kilowatt-hour is 0.45 cent less than the 1962 average cost of 1.68 cents per kilowatt-hour. This differential, applied to total estimated sales in 1980 of 2.4 trillion kilowatt-hours, represents a gross reduction of $11 billion a year as compared with the estimated 1980 sales at the 1962 average cost per kilowatt-hour.

Before proceeding to examine the separate sources, as summarized in table 79, which contribute to the total annual saving of $11 billion, it will be helpful to review the projected net reductions in power system investment in 1980 as compared with the investment which would be required under 1962 conditions, assuming a constant dollar value. These reductions are summarized in table 78. The total of the investment savings is $11.7 billion, which is derived from the gross savings of $14.83 billion resulting from capacity reductions and lower unit costs of capacity additions between 1965 and 1980, less the investment increases, mostly for transmission, amounting to $3.13 billion.

The savings in investment costs thus determined are converted to annual savings by application of an average fixed charge of 12 percent. The resulting reduction of $1.40 billion appears as the first item in table 79. The next three items in the table relate to fuel cost savings and total $2.10 billion annually.

These are followed by several smaller savings including reduced spinning reserve, greater use of secondary hydroelectric energy and broader economy energy exchanges, totaling $0.11 billion. Reduced operating and maintenance expense for production and transmission is a major item amounting to $1.46 billion and results largely from the growth in sales, particularly in relation to use per customer. The magnitude of the saving per kilowatt-hour is given in table 77. By far the largest single item of reduced cost is related to distribution, amounting to $5.60 billion. Table 77 shows the large reductions in the components of the unit costs for distribution, for operation and maintenance and to a lesser degree for fixed charges. The concluding two items in table 79 pertain to fiscal reductions and include a $300 million saving in the cost of money and a $370 million reduction in Federal income taxes reflecting the recent cutback from 52 percent to 48 percent of net taxable income.

A major part of the cost reduction anticipated by 1980 is represented by savings in the distribution function. These are expected to account for 50 percent of the total savings possible by 1980. While opportunities are numerous in the distribution area for introducing improved operation and maintenance programs, and while new business methods and improved facilities will aid in lowering costs, substantial unit cost reductions in distribution, more than any other area, are dependent on load growth. This is true because the costs of connecting the customer and reading his meter, operating and maintaining the local distribution system, and performing the business operations, are affected very little by a doubling or tripling of customer usage, and many distribution facilities can deliver additional power at small incremental increases in cost. Thus a doubling in the amount of power consumed per customer, as the survey has forecast, will appreciably lower the average distribution unit cost of power by 1980, even in the face of considerably increased investment in distribution facilities.

TABLE 79.—*Estimated reduction in annual power costs by 1980*

| | |
|---|---|
| (1) Reduced capital investment<br>As indicated in table 78, the net saving in generating and transmission plant investment is estimated to be $11,700,000,000 to which an average fixed charge of 12 percent has been applied. | $1,400,000,000 |
| (2) Fuel cost savings through increased thermal efficiency<br>The estimate reflects an expected improvement in the efficiency of fossil fuel plants, from an average heat rate by 10,600 B.t.u. required to generate a kilowatt-hour of electricity in 1962, to 8,900 B.t.u. by 1980. | 800,000,000 |
| (3) Fuel cost savings through increased use of nuclear power<br>This item is based on saving 1.0 mills per kilowatt-hour on the estimated total nuclear generation in 1980. | 500,000,000 |
| (4) Fuel cost savings through mining and transportation improvements<br>This figure is based on a total average decrease between 1960 and 1980 of 5 cents per million B.t.u. in the delivered cost of fuel applied to the estimated 1980 production of 1,800,000,000,000 kilowatt-hours from coal-fired plants at an average heat rate of 8,900 B.t.u. by 1980. | 800,000,000 |
| (5) Savings from reduced spinning reserve<br>This item results from the opportunity to save on the average amount of capacity maintained in spinning reserve status because of increased interconnection. The unit saving is limited to fuel and operating expenses of about $2.50 per kilowatt per year. This unit saving is applied to a potential reduction in spinning capacity from 7.5 percent of load down to about 5 percent of load, or 12,000,000 kilowatts. | 30,000,000 |
| (6) Reduced cost of fuel through greater use of secondary hydroelectric power<br>The amount shown results from the expected increased use of secondary power by 1980, principally involving the Pacific Northwest and the Pacific Southwest (Areas P and N). | 10,000,000 |

TABLE 78.—*Estimated reduction in power system investment by 1980 as compared with investment required for the same capacity under 1962 conditions*

| | |
|---|---|
| REDUCTION IN CAPITAL INVESTMENT | |
| (1) Reserve capacity reductions | $6,700,000,000 |
| Reserve savings attainable by 1980 through increased interconnection and coordination are estimated at 50,000,000 kilowatts (see chapter 14). | |
| (2) Capacity reduction through load diversity | 4,300,000,000 |
| Usable diversity savings allowing for increase in scheduled maintenance are estimated to reach 30,000,000 kilowatts by 1980 (see chapter 13). | |
| (3) Use of larger fossil fuel steam-electric units | 3,500,000,000 |
| Fossil fuel fired steam-electric capacity additions are estimated at about 175,000,000 kilowatts in the period from 1965 to 1980. The projected larger sizes in this period are estimated to result in an average saving of $20 per kilowatt of capacity by comparison with average sizes of base load units now installed. | |
| (4) Use of larger units—nuclear | 330,000,000 |
| Nuclear steam-electric capacity additions are estimated at 68,000,000 kilowatts in the period from 1965 to 1980. The projected larger sizes in this period are estimated to result in an average saving of about $5 per kilowatt of capacity by comparison with average sizes of base load units now installed. | |
| Total estimated gross reduction | 14,830,000,000 |
| INCREASE IN CAPITAL INVESTMENTS | |
| (5) Added EHV transmission investment | 3,100,000,000 |
| This is the estimated cost of the long-distance EHV transmission lines depicted in the general transmission pattern in chapter 15. | |
| (6) Added investment in intersystem communications | 30,000,000 |
| Includes only communication and coordination costs in excess of those required for normal system growth. Does not envision centralized load dispatching. Such added costs have been found to be on the order of 1 percent of the cost of major interconnecting transmission facilities (item 5 above). | |
| Total estimated gross increase | 3,130,000,000 |
| Net reduction in capital investment | 11,700,000,000 |
| (7) Reduced cost of fuel through broader economy energy exchange | 70,000,000 |
| This estimate reflects the broader availability of low-cost energy from efficient thermal sources. The incremental exchange has been taken as 8 percent of the capacity of such sources evaluated at 0.5 mills per kilowatt-hour. | |
| (8) Reduced operating and maintenance expenses for production and transmission (including apportionments of administrative and general expenses) | 1,460,000,000 |
| Contributed through growth in sales, particularly in relation to use per customer, and through increase in size of generating and transmission facilities. | |
| (9) Reduced distribution costs (including certain apportionments of general expenses and taxes) | 5,600,000,000 |
| This lowering of distribution costs is based on large reduction in investment costs and concomitant reductions in operating expenses per kilowatt-hour of sales resulting from increased customer usage and number of customers. (See table 77.) | |

| | |
|---|---|
| (10) Reduced cost of money<br>This item is based on an increase in debt financing of the private utility segment from about 52 percent of total capitalization to 60 percent, with resulting savings both in direct cost of money and in income taxes. | $300, 000, 000 |
| (11) Reduction in Federal income tax<br>The determination is based on applying the reduction from 52 percent to 48 percent (of net taxable income) to the projected revenues of 1980 for the private utility segment. | 370, 000, 000 |
| Total annual saving | 11, 340, 000, 000 |
| In round figures | 11, 000, 000, 000 |

Growth in electric energy use is not readily separable from other factors which have a bearing on reductions in cost, because growth is both the result and cause of future economies. In fact, the price-growth spiral which can produce lower costs and greater output is an outstanding characteristic of the electric utility industry. Maximum growth in electric consumption will only occur if electric rates are lowered as fast as cost reductions will permit, while such reductions will themselves depend in large part upon the extent of growth. If rates could be reduced to a level consistent with the cost reduction which might ultimately result from the engendered growth, increased usage beyond that predicted could be confidently expected.

Indeed growth is the predominant parent event which makes it profitable and necessary to employ in increasingly greater scope the economies that are examined in this survey. The use of larger generating units, the more numerous and stronger system interconnections, the use of higher transmission voltages, the exchange of diversity between areas and regions, and even the linking of systems to save reserve capacity, are all intimately associated with load growth.

The costs of distributing power, as we have seen, are especially affected by growth, particularly by growth in use per customer.

The potential savings in the production area (roughly 50 percent of the total) have been the principal subject of analysis of this survey. These savings, which encompass the first seven items in table 79, will be influenced by the industry's success in further developing and expanding intersystem planning and operation. While coordination obviously is dependent upon load growth to become as effective as it is shown to be in the analysis, the load growth projected herein is in turn dependent upon the economics of coordination, and other economies, also, to provide lower electric rates and thus help the electric industry compete for new loads.

Improved technology will of course enhance the advantages of more complete coordination and open new opportunities for coordination over longer distances and at higher voltages. The technological advances built into the 1980 target, however, are not limited to progress which will come easily from the momentum the industry has already achieved. Our assumptions as to future technology anticipate a continued aggressive, systematic research and development attack on major technological problems by all parts of the industry, acting both cooperatively and individually on their own initiative. Although the technological research and development program of the electric utility industry cost over $50 million in 1963, it is assumed that the promise of further benefits will spur the industry to adopt even more effective future programs involving substantially larger sums.

The history of the industry is one of imagination and progress, particularly in connection with the continued improvement in the art of electric generation and transmission, but there remains great incentive for further research in all areas, and particularly the field of distribution and in the development of the new customer appliances needed if the 1980 growth projections are to be reached. These improvements will require cooperative research efforts embracing all segments of the industry (including the equipment manufacturers) and all sizes of utility, large and small. The benefits of such a vigorous research and development program are necessary to offset the possible added costs of underground distribution, urban and suburban rights-of-way, control of air and water pollution, increased property tax rates and similar factors resulting in part from increased urbanization.

SUMMARY

The average retail price for electricity is expected to decline 27 percent by 1980—from 1.68 cents per kilowatt-hour in 1962 to 1.23 cents in 1980, assuming no further price inflation. This reduction of roughly half a cent (0.45 cent) per kilowatt-hour presumes further great growth in electric use. The savings in 1980 are divided fairly evenly between production and distribution, the former accounting for twenty-two hundredths of a cent and the latter for twenty-three hundredths of a cent per kilowatt-hour sold (in figures, .22 cent and .23 cent). Applying these estimates to projected 1980 sales of 2.43 trillion kilowatt-hours indicates annual savings as follows:

| | *Billion* |
|---|---|
| Production (generation) | $5.4 |
| Transmission | 0.0 |
| Distribution | 5.6 |
| Total | 11.0 |

If the dollar declines in value between now and 1980, the estimated cost reduction in terms of 1980 dollars would be smaller than the 27 percent indicated.

The Commission makes no claim that the patterns and guidelines that have been presented are an optimization of power planning for meeting future loads. However, we believe they represent a reasonable approach toward achieving further economy in the Nation's power supply. To the extent they may be less than an optimum, the potential savings we have estimated may be understated. Our judgment is supported by the fact that the present trends in the electric power industry are in the directions we project and the approaches we advocate are being actively espoused by many industry leaders.

It is hoped that this survey will serve to accelerate interest in more comprehensive industry planning and will direct the attention of all systems in every segment of the industry to the attainable levels of achievement and the relative significance of the various avenues for realizing econmic gains for their systems and their customers.

Mr. BROWN. We have figures on the San Luis project in California. It has a capacity of 424,000 kilowatts of pumped storage capacity.

COST OF HYDRO VERSUS THERMAL POWER

Mr. O'CONNOR. Your question was directed to whether hydro is less expensive than thermal. In the Pacific Northwest where you have almost 100 percent hydro, the price is 2.5 or 3 mills; the goal of thermal may be 4 to 5 mills.

Mr. RHODES. If you will yield at this point, Mr. Chairman, in all fairness I think you should say if you had to construct Bonneville and the other projects in the Pacific Northwest now, the cost would be considerably higher than it now is; and also I think you should put in the record that Bonneville is now operating at a loss. So, the cost of power at Bonneville needs a lot of explanation.

Mr. THOMAS. The project is about 18 years of age?

Mr. RHODES. I believe so.

Mr. SWIDLER. Bonneville Dam itself is older than that. I think it was completed in the late 1930's. By now it is at least 25 years old. Grand Coulee and some of the other projects on the Columbia came in a little later.

Mr. RHODES. Grand Coulee was actually completed in World War II or shortly before.

Mr. SWIDLER. Shortly before, I believe.

Mr. THOMAS. Go ahead.

Mr. SWIDLER. If I may say a word about the best of the remaining hydro projects in the Northwest, I think on the basis of any calcula-

tion these sites would be more favorable than alternative steam. We have received many applications from that area for additional hydro projects, from private interests as well as from public interests. I think that the Pacific Northwest, as Mr. O'Connor points out, is one area where the undeveloped hydro is still significantly more economical than thermal power.

Mr. THOMAS. Down in our section of Texas, how does the price of steamplants compare with hydro on the Pacific coast?

Mr. O'CONNOR. I was afraid you would ask me that. I do not know except for one particular thing, that when the National Power Survey came out, we had a goal of 1.2 cents for power costs in 1980 against 1.7 cents today. The utility in my home city indicated that their rates were approaching 1.2 cents or 12 mills. Actually, gas is not as cheap as it was 10 years ago. There is a contract in the neighborhood of 16 or 18 cents per thousand cubic feet to a local utility, which has been executed recently.

Mr. THOMAS. It is still favorable with that area and considerably less than steamplants in other sections of the country, say in the midsection of the United States. Is that a correct statement?

Mr. O'CONNOR. I do not know. I believe the streamplants which are close to coal in the Midwest would be competitive with our plants.

Mr. THOMAS. Go ahead, Mr. Chairman.

Mr. SWIDLER. Some of the new plants that are being planned in areas of low-cost coal—West Virginia, Pennsylvania—are able to make long-term arrangements for coal at prices in the order of 15 cents a million B.T.U., which is roughly comparable with 15 cents per thousand cubic feet of gas. These prices compare fairly well with the price for new gas supplies that are available for plants which would go on the line in the future. I think some of the old gas contracts are at lower figures, but I doubt that many new plants of any size are able to buy gas at any lower price.

Mr. THOMAS. At any rate, it is the general assumption that a steamplant adjacent to or in the middle of a coal-producing area is just about as economical as any other streamplant you could have?

Mr. SWIDLER. As any other type of generating facility. Steamplants are very closely approaching the costs available from any source of supply; that is right, Mr. Chairman.

Mr. THOMAS. Go ahead.

Mr. SWIDLER. Great progress has been made to bring down the cost of thermal power.

Mr. O'CONNOR. May I add one important thing to clarify it. Actually the thermal costs are coming closer and closer to hydro. The competitive difference is not as great as it was 10 or 15 years ago.

Mr. THOMAS. It set the base to begin with, and everybody is trying to get close to it. Is that it? Go ahead, Mr. Chairman.

Mr. SWIDLER. There is one program in our hydroelectric licensing work which requires little manpower but is of great public benefit. I refer to our plans for action to utilize the full recreation potential of the reservoirs formed by our licensed projects.

We are also hoping to accelerate our program of water resources appraisal studies and for bringing unlicensed projects under license.

We are proposing an improved inspection program on all licensed projects to help prevent failures of dams.

Mr. THOMAS. How many people do you have working in that? Your justifications, as well as I remember, state 3 jobs. Certainly it is more than that, is it not?

Mr. SWIDLER. Yes, sir. There are about 24 people devoted to it now. We are asking for 10 additional people. We have been very fortunate so far, but we know that dams sometimes can be potentially a hazard, and one that we ought to be careful about. I am sure that members of the committee saw in the newspaper this morning the report of the failure of a dam in Chile during an earthquake, with the loss of several hundred lives.

Mr. THOMAS. What could the Federal Power Commission do about that? Suppose you had that in any part of the United States. You are not constructing these dams to take care of unpredictable earthquakes, are you?

Mr. SWIDLER. Not to take care of unpredictable earthquakes, but they are designed and built to take care of predictable ones, and I think our inspections will certainly take into account the earthquake hazard in appraising the safety of these projects.

As I will explain later, we do not purport to do this job entirely with our own staff. On the contrary, we know that there are limitations to what you might be able to do on the basis of visual inspections on an occasional visit by a man from a regional office. Our program will rely for the most part on requiring periodic examinations of these projects by independent consulting engineers, and our work will be one rather of insuring that these reports are made and that they are carefully analyzed, and any followup corrective action is taken, supplemented by our own inspections. FPC inspections are an important part of the program, but they are by no means the major part.

Mr. JONAS. Will the chairman yield?

Mr. THOMAS. Surely.

Mr. JONAS. Has your inspection service or activity disclosed any substantial defects?

Mr. SWIDLER. Yes, sir. We have made proposals to the operators of some projects for safety precautions, which they have followed.

Mr. JONAS. I would not care to have you identify the dams, but what sort of corrective action would be involved? When dams are already constructed, how can you correct a concrete steel structure that is already in place? Give us a few examples.

Mr. SWIDLER. Let me give you some examples. Suppose we see that the concrete is beginning to——

Mr. JONAS. Crack?

Mr. SWIDLER. Yes. We can suggest a grouting program. Suppose that in an earth dam some of the fill is not in place. It can be restored.

Beyond these examples I should like to ask Mr. Brown to answer your question more fully.

Mr. JONAS. That is sufficient for my purpose.

Mr. RHODES. Will the gentleman yield?

Mr. THOMAS. Mr. Rhodes.

Mr. RHODES. Is not this something that could be farmed out to the Corps of Engineers or the Bureau of Reclamation? They have been building dams for years. They have engineers in-house who know quite a bit about dams. It seems to me this is an activity which could very well be contracted to another Government agency.

Mr. SWIDLER. Perhaps it could, but it would still require at least as many people. There would be no economy. We have the overall responsibility for administering our licenses, which are the basis for exercising the safety inspections. To bring other Federal agencies into the picture would merely add a layer of redtape and a layer of additional relationships and committees to get the job done.

Mr. RHODES. I think you usually find that when you consolidate activities you do save some money, at least in administrative costs.

Mr. SWIDLER. We are consolidating our own work where possible. We have a very knowledgeable organization in the hydroelectric field upon which the Corps of Engineers relies heavily in many phases of its work.

Mr. RHODES. What about the consulting engineers that you use for making these reports? Do you hire the engineers or does the owner of the dam hire them?

Mr. SWIDLER. The owner of the dam would retain his own independent consulting engineer.

Mr. RHODES. Then you review the work of the consulting engineer, actually?

Mr. SWIDLER. The consulting engineering organizations would do their own work——

Mr. RHODES. Yes.

Mr. SWIDLER (continuing). And submit reports to us.

Mr. RHODES. And you review the reports?

Mr. SWIDLER. This program has not yet gone into existence. This is the program we are proposing in the budget.

Mr. RHODES. Will you review the report?

Mr. SWIDLER. We certainly will.

### PERSONNEL FOR DAM INSPECTION

Mr. RHODES. What type of personnel are you asking for here? You are asking for 10 additional positions for this activity.

Mr. SWIDLER. Yes, sir.

Mr. RHODES. What type? What do you need?

Mr. SWIDLER. They would be both experienced engineers who would add to our staff available for the on-site dam inspections, and they would be experts in hydroelectric construction who would review construction plans and these reports to determine whether the study which had been made was adequate and whether the recommendations to take care of any problems were adequate. We would, of course, then make an inspection to be sure that these recommendations were being carried out.

Mr. RHODES. What type of personnel do you use for inspections? Are they engineers?

Mr. SWIDLER. Yes, sir; they are experienced engineers with a lot of background in hydroelectric work.

Mr. JONAS. Will the gentleman yield?

Mr. RHODES. Yes.

Mr. JONAS. How can you get qualified engineers for the money you can pay? I mean new ones now, in competition with industry. Are they available?

Mr. SWIDLER. I think our ability to recruit at current pay levels has not been too bad. The most serious problems of recruitment are at the very top grades.

Mr. JONAS. You could not use a junior engineer on one of these jobs; you need an experienced, well-qualified man, do you not?

Mr. SWIDLER. Yes, sir.

Mr. JONAS. Do you have any difficulty getting that class of people?

Mr. SWIDLER. We always have a problem in retaining our best people, but we have had pretty good success in recruiting and in holding professional people.

Mr. JONAS. At what grade do you start these 10 people?

Mr. BROWN. They would be GS–12 grade, and some of them GS–13.

Mr. JONAS. How much experience do you require for this type job?

Mr. BROWN. Bear in mind, people that would be added to the staff would be brought under supervision of more experienced people who have been operating with us in this work for a good many years. Everyone that comes with the Commission enters into a program of training and orientation. With their general background in civil engineering, primarily for the construction of dams, we have had very good success in getting people trained to perform a satisfactory, reliable service.

Mr. JONAS. Thank you.

Mr. THOMAS. Go ahead.

RECAPTURE PROGRAM

Mr. SWIDLER. A large additional workload is already upon us in studying existing projects whose license terms will expire beginning in 1968 in order to make the studies to provide Congress with adequate information to determine whether the project should be recaptured for the United States.

You can appreciate that these important program responsibilities which the Commission is undertaking cannot be adequately performed without sufficient personnel.

COLLECTION COSTS

Mr. THOMAS. How much is it going to cost to collect it and how much are you going to get back in fees? You are putting good money after bad, are you not?

Mr. SWIDLER. Oh, no, sir. The collection expense is a very small part of the amount of the collection.

Mr. THOMAS. Can you give us what it is going to cost you and what you expect to recover?

Mr. SWIDLER. We expect to recover about $6 million in the next fiscal year.

Mr. THOMAS. I cannot find that figure in your justification any place. I came up with a figure of cost of $2,900,000 and recoveries

about $2,200,00. I am not satisfied with my own figures. What are your figures, now?

Mr. SWIDLER. The $3 million, sir, is the amount of the headwater benefit payments to the United States. In addition to the headwater benefit payments, we will recover license fees from the hydroelectric licenses in the amount of about $3.2 million.

Mr. THOMAS. On licensed projects?

Mr. SWIDLER. Yes, sir. We have already billed for the current fiscal year $2,757,000. Our 1965 estimate in the budget document is $2,644,000, and then there are various other sources of revenue—the collection for use of Federal lands, collection for maintenance of navigation, collection for use of Indian lands.

Mr. THOMAS. What is it going to cost you? Are you adding your other objects to it?

Mr. TRAINOR. Just that part of it, part 1, we estimate a cost of $2,809,000.

Mr. THOMAS. And collections are around $2,600,000, you say?

Mr. SWIDLER. Our budget document says $2,644,000 for 1965.

Mr. ROSS. Our license fees are proportioned on the amount of cost attributed to the work. We are not allowed to make any profit on license fees in and of itself.

Mr. THOMAS. We are not quibbling with you about that. The point I am raising—it is costing you more to collect it than you get back.

Mr. SWIDLER. When you use "cost of collecton," sir, you have me confused. If you are talking for the expense of the activity, for which this is a reimbursement, then the cost would be as shown in our 1966 estimate, $2,809,000, and we estimate that we would be reimbursed about $150,000 less than that.

Mr. THOMAS. My figures were in the ball park, then?

Mr. SWIDLER. Your figures were in the ball park.

Mr. JONAS. If the gentleman will yield, does your cost item there include other objects?

Mr. THOMAS. No.

Mr. SWIDLER. Yes, sir. All costs are spread through. The budget is on a functional basis.

Mr. THOMAS. It will cost you $2,800,000 and you will get back $2,200,000.

Mr. SWIDLER. No, sir; $2,300,000.

Mr. JONAS. Are you sure all other objects are in there?

Mr. CAPAR. Yes, sir. The $2,809,000 includes other object costs, the whole non-Federal activity.

Mr. SWIDLER. This amount is the total cost of the activities and not the cost of collecting the license fees. The cost of collection is a very minor part. As I mentioned to you, there are two classes of license costs which are not reimbursed.

Mr. THOMAS. The purpose is to bring them under your jurisdiction. Put it in any language you want, call it whatever you want, that is your purpose. What have you gained after you have done it? It will cost you more than you are getting back. They have been operating for years and years just as they are now. Why should you trouble yourself with them? Has anybody pulled a statute of limitations or anything like that?

Mr. SWIDLER. No, sir; I do not think the statute of limitations applies here.

Mr. THOMAS. Or a run?

UNLICENSED PROJECTS

Mr. SWIDLER. No, sir. But I would like to try to answer your question. You are talking about the unlicensed project program, which is not a large part of the total. Most of these projects are licensed and——

Mr. THOMAS. Old.

Mr. SWIDLER. And were built pursuant to license. There is no problem of jurisdiction involved.

Mr. THOMAS. And they pay?

Mr. SWIDLER. Well, the small projects do not pay much. It is not merely in order to get license fees that we pursue this program. I think the fundamental reason, sir, is that the statute requires it and we are administering the statute, but I think there are good reasons for the statute. If you would like, I will take a minute and try to list them.

In the first place, some of these older projects are the ones that raise the greatest safety hazards. They were built, many of them, before advanced engineering techniques were available, and some of them may well represent a public hazard. They ought to be within our inspection program.

A second reason is that frequently these projects have quite an impact on the development of a whole river. The projects themselves may be minor but they may control upstream or downstream river development.

Mr. THOMAS. What can you do about it? Do you go tear down the dam? Do you make them enlarge it? What do you do about it?

Mr. SWIDLER. What we do, sir, is bring them in under a licensing system which provides for coordinating with the other projects on the river, which provides for safety, which provides for using the recreational potential.

Mr. THOMAS. What can you do about it?

Mr. SWIDLER. Require them——

Mr. THOMAS. To tear it down?

Mr. SWIDLER. No, sir.

Mr. THOMAS. To enlarge it?

Mr. SWIDLER. To make whatever changes are necessary in the interest of safety.

Mr. THOMAS. Of course, some of them are 40 and 50 years of age and, of course, are getting old like everything else.

Mr. SWIDLER. Yes, sir. But there are many things they can do, and we want them done before there is a serious hazard.

Mr. THOMAS. Mr. Boland, you have a lot of these in your part of the country. What is the attitude of the men on the projects? They do not want them to come in for fear of doing what the chairman has indicated, they may make them tear it down or enlarge it?

Mr. BOLAND. I have never known them to have any real opposition to this sort of control up there.

Have you?

Mr. Ross. No, sir.

Mr. Boland. They seem to agree with it.

Mr. Swidler. We try not to make our regulation burdensome. Of course, people who are regulated always regret the expense.

Mr. Thomas. If they have no reason, why have they not voluntarily come in in 30 or 40 or 50 years?

Mr. Swidler. I would not say many of them are enthusiastic about it, but actually the operators of about half of the unlicensed projects have applied for licenses in the last 3 or 4 years. I think our problem is diminishing. But the remainder are what you might call the hard core cases, and I think there is a real question, quite aside from anything else, whether these people should not be required to observe the law as the others do. Should the ones who resist be permitted to do as they please or should the law be applied to them as well?

Mr. Thomas. When they built they did not have the law. They complied with the law at the time they built. Then the law was passed. Is not that the basis for their answer?

Mr. Swidler. We do not quarrel with the ones that have rights to continue the operation of their projects in the river without an FPC license. We are only concerned with the projects to which the law applies. In our judgment, we feel we must require them to obtain the license which Congress——

Mr. Thomas. But the law applies to a safe dam as well as to one that is unsafe. What are you going to do about that?

Mr. Swidler. What we try to do is to carry out our responsibilities under the statute.

Mr. Thomas. It puts you in an awkward position, to say the least.

Mr. Swidler. A lot of these are old projects, and this is all the more reason why they should be under license. Most of these questions of jurisdiction have been resolved in the courts.

Mr. Jonas. I was going to ask that question, if the chairman will permit.

Mr. Thomas. Surely.

SUPREME COURT ACTION

Mr. Jonas. Have the courts passed on this particular point?

Mr. Swidler. Yes, sir; very few of these projects raise open legal questions. I think some of them raise factual questions.

Mr. Jonas. The retroactive nature of the statute has not been questioned?

Mr. Swidler. The statute has been upheld in these applications.

Mr. Jonas. By the Supreme Court?

Mr. Swidler. Yes, sir; where the projects were constructed under permissions which were for a limited term and their initial direct license from the Congress has run out, to take one example, there seems to be no question but that to continue maintaining that project in a navigable stream requires a license. That is one illustration, Mr. Chairman.

Mr. Jonas. While he is interrupted, may I ask another question?

Mr. Thomas. Surely.

EXPIRATION OF LICENSES

Mr. JONAS. How many of these licenses will expire in 1968?

Mr. SWIDLER. I think only two in 1968.

Mr. JONAS. Say from 1968 on for several years. I thought the bulk of them expired in 1968, 1969, and 1970.

Mr. SWIDLER. About 25 by 1970.

Mr. JONAS. You are right now engaged in a study to determine what your recommendation is going to be to Congress?

Mr. SWIDLER. Yes, sir.

Mr. JONAS. We discussed this in the hearings last year?

Mr. SWIDLER. Yes, sir.

Mr. JONAS. And you told me, in response to a question that, as far as you were concerned and the present Commission, you had no intention of asserting that the Federal Power Commission had jurisdiction, that this would be a matter for Congress to do by legislation.

Mr. SWIDLER. Yes, sir.

Mr. JONAS. And that is still your view?

Mr. SWIDLER. That is still our view; yes.

Mr. JONAS. And the study you are making is to assemble facts and information which you can report to Congress?

Mr. SWIDLER. Yes, sir; the statute provides that these projects may be recaptured upon the Federal Power Commission giving notice, but we do not construe the language to mean that without more we could give the notice.

Mr. THOMAS. That means after the license expires.

Mr. SWIDLER. We construe the statute to mean that when Congress makes the decision to recapture it would implement that decision by notice of the Commission.

About half of the FPC's power programs are completely free of any net charge to the Government. The other half represent an investment in achieving substantial reductions in the Nation's electric bill which is now running at the rate of more than $14 billion a year.

As I mentioned earlier, the Commission's need for 47 additional positions to perform its electric power work is placed in perspective by noting the large losses in staff that occurred during the 1950's. The staff was reduced from 528 people in 1949 down to a low of 297 positions in 1955. The buildup in staff from that low point was slow. By 1961 electric power staff consisted of only 346 people, still far below the staff available in 1949.

REVIEW OF REPORTS

Mr. THOMAS. Your language is very impressive, but you are getting trivial reports every 30 days. And then you use the word "digest." You know, you cannot digest these reports every 30 days. If you get a report every 3 or 4 months, it looks like to me it would serve your purpose. But you require some of the reports every 30 days, and you talk about digesting. Your storage bill is bound to be excessive from just taking care of these reports that nobody looks at more than maybe once every 3 or 4 months.

Mr. SWIDLER. Some of our reports are used as indexes of industrial activity and must be on a monthly basis.

Mr. THOMAS. Do you mean to say those monthly reports are digested? I will bet you they are not looked at once every 3 months. They do not vary that much in a period of 30 days.

Mr. SWIDLER. The variations are what are significant. As you know, in our highly developed economy, the business community needs to know changes in important indexes from week to week and sometimes even from day to day. Certainly, from month to month. And we try to provide the key figures on that basis.

Mr. THOMAS. How many people do you have reading and digesting those monthly reports? What do they digest? If they skip one report they are not missing any vast deep broad swings in the economy. How could there be any variation of any significance? When you get a deep swing that is something else.

Mr. SWIDLER. As you know, the various business publications report changes in the indexes weekly and daily, and these are much in the same category.

Mr. THOMAS. Here is one small section where you can make a further reduction. Of course, the printed material cannot be based upon every one. I imagine if you get at it every 3 or 4 months it will satisfy the most inquisitive, because, after all, you have a thousand intervening steps between the use of power and the net result that comes from it.

Excuse me. Go ahead.

GROWTH OF AGENCY STAFF

Mr. SWIDLER. I was about to make the point that we are now requesting about the same number of people for electric power work that we had 15 years ago.

Mr. THOMAS. You might in one section. I have a tabulation which shows that in 1956 you had 713 people, and this year you want 1,188, or almost 1,200 people.

Mr. SWIDLER. The net growth has been on the natural gas side. I think that is the point I was making, that during that period we have really been assuming——

Mr. THOMAS. It has not been altogether the natural gas by any means. It has been all over the lot. Of course, natural gas has been one of your big activities, perhaps your largest. From 1960—when did you come in, 1960 or 1961?

Mr. SWIDLER. 1961.

Mr. THOMAS. In 1960 you had 853 people. Now you are up to 1,188.

Mr. SWIDLER. I took office in 1961.

Mr. THOMAS. In 1961 you had 906 and now it is 1,188. That is an increase of about 280. About 30 percent in 5 years. And you had pay increases on top of that. You are not short of manpower according to these figures.

APPROPRIATION FLEXIBILITY

Do you consider this a lump-sum appropriation?

Mr. SWIDLER. It is made to us——

Mr. THOMAS. In other words, there are no strings attached to natural gas, there are no strings attached to administration, and there are no strings attached to hydroelectric power or steam power. It is all one lump-sum appropriation?

Mr. SWIDLER. There are only such strings as the Congress attaches.

Mr. THOMAS. But there have not been any strings. That is the point I am getting at.

Mr. SWIDLER. I think from year to year you will find we adhere quite closely to budget estimates. These estimates are prepared long in advance of the time the money is spent, and I am sure you would not want—and would think it was pretty poor administration—if we confined ourselves dollar for dollar——

Mr. THOMAS. You put your finger on what we think. I am asking you, what do you do?

Mr. SWIDLER. What we do is to follow the budget very responsibly and make only the changes which are required by good sense. I would say that the departures are only very modest, and that from year to year——

Mr. THOMAS. But there are departures. If you need 10 or 15 more people in electric power as against natural gas, you switch them over.

Mr. SWIDLER. I think a few people we undoubtedly would, sir.

Mr. THOMAS. You have done that time and time again.

Mr. SWIDLER. We were trying to use our people in a way that was most productive, considering that these figures jelled pretty much as of last year. The changes are not large, but no organization can predict with that degree of precision what is the best way to use its manpower 2 years ahead.

Mr. THOMAS. Suppose that we tied you down in natural gas and in power exactly. What would it do to you?

Mr. SWIDLER. It would eliminate, I think, a very useful degree of flexibility, because we might be able to use our manpower more effectively by switching people from one to the other.

PERSONNEL DATA

Mr. THOMAS. That is why we like green sheets. We want to see section by section in the green sheets how many chiefs you have, how many super chiefs. It looks to me like in the Federal Power Commission you have more chiefs than you have Indians. How many divisions do you have throughout the Commission? We want a complete breakdown, and you do not have it in the budget. You have one chart in there, and it is very inadequate.

Mr. SWIDLER. I think you will find in the back of the book the breakdown in our staff which shows every position. I think this new section provides you, if I am not mistaken, with the information you are interested in, Mr. Chairman.

Mr. THOMAS. Where is it? Put your finger on it.

Mr. SWIDLER. The key chart, sir, is on page 116. It is a key chart from the point of view of breaking down our costs on an organizational basis.

Mr. THOMAS. This is the big one.

Mr. SWIDLER. There is an additional feature.

Mr. THOMAS. This is the one I had reference to. This is the only one that does give you any information.

Mr. SWIDLER. No, sir. If you will look at the second column, "Page number," you will see that for each of these offices there is a page which gives you a detailed breakdown.

Mr. THOMAS. We want to see it by grades and numbers—a detailed breakdown.

Mr. SWIDLER. If you will take, for example, on page 117——

Mr. THOMAS. Then look at 126. You duplicate it there.

Mr. SWIDLER. 126, sir?

Mr. THOMAS. Yes.

Mr. SWIDLER. Yes, this gives a breakdown.

Mr. THOMAS. You have four people in this section. We want to know what they do, whether one is superchief, one is chief, one is assistant chief. We want to know the grade of each. You have lumped it all in there but the detailed information is not there.

Mr. SWIDLER. We will supply any breakdown you like. I was just going to call your attention to the breakdown by offices, using 117 as an illustration.

Mr. THOMAS. It ought to be at the end of each section.

Mr. SWIDLER. We have put it at the beginning of each section and at the beginning of this section.

Mr. THOMAS. What page is that on?

Mr. SWIDLER. On page 117.

Mr. THOMAS. That does not get it.

Mr. SWIDLER. That is the first one. It is illustrative.

Mr. THOMAS. There is some information on 116, 117, and 127.

Mr. SWIDLER. We have done this office by office, and tried to break down the permanent positions and the annual salaries.

Mr. THOMAS. You say there are 13 people in there. What are the grades of the 13?

Mr. SWIDLER. We show them here, sir.

Mr. THOMAS. Section by section.

Mr. SWIDLER. If you look, Mr. Chairman, at Commissioners' offices, you will see there is one grade 17, three 15's, one 14 who is an attorney, four technical assistants.

Mr. THOMAS. That is the office of the Commissioner?

Mr. SWIDLER. Yes, sir. And the same breakdown is shown for the others. If you will look at the next page, the Office of the Executive Director has the same breakdown. If you will look on the following page, the Office of the Secretary has the same breakdown.

Mr. THOMAS. Let's turn over to electric power.

Mr. SWIDLER. I think that would be page 147.

Mr. THOMAS. That is the regional office.

Mr. SWIDLER. No, sir; the whole office.

Mr. THOMAS. Operating titles, permanent positions and annual salaries. Chief, 18; Deputy Chief, 17. What is this Chief, Division?

Mr. SWIDLER. Chiefs of Division, grade 16. There are four of them, sir.

Mr. THOMAS. Then you have engineer and follow on over. What is the rest of this? What about your subdivisions in here? Where are they?

Mr. SWIDLER. If you will continue on, sir, we have, beginning on page 147, the solid figures right through page 151, and it breaks down every job in the Bureau of Power.

Mr. THOMAS. Is it set up——

Mr. SWIDLER. By regional offices, too.

Mr. THOMAS. By subdivisions in there?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Where is the one dealing with unlicensed projects? I looked all over the lot and I could not find that one. How many people are there in that? Where is that set up?

Mr. SWIDLER. That is under the Division of Licensed Projects. We have only the summary figures there on the Division of Licensed Projects.

Mr. THOMAS. You do not have it broken down by section. That is what I am talking about. If you would do that at the end of each one of your tabs, it would be much more clear and simpler. We like the green sheets where we can see exactly what we are looking for.

Mr. SWIDLER. We will be glad to provide that, sir. We have included a great deal of data.

Mr. THOMAS. Yes, there is no question you have a great deal of data.

Mr. SWIDLER. And more than last year. I am sure our budget can be improved further, and next year we will put that breakdown in by divisions.

Mr. THOMAS. Instead of just showing that there are 17 jobs, we want to know how they are broken down. The chances are you have 3 or 4 subdivisions under that 17. Each one of them has his own little niche to do, and we want to know, if they do kindred work and why cannot one section help another if one gets behind.

Mr. SWIDLER. There is some of that, too.

Mr. RHODES. Will the chairman yield?

Mr. THOMAS. Surely.

Mr. RHODES. On page 117, is not this title "Confidential Assistant to Chairman" a different operating title than most agencies use? I do not recall having seen that before. Each Commissioner has a confidential assistant, according to your justifications.

Mr. SWIDLER. These are the titles I found when I entered the organization. They really are secretaries.

Mr. RHODES. It sounds like more the CIA than the FPC.

Mr. SWIDLER. Yes, it does. Confidential assistant positions are all schedule C positions. I think this is the justification for putting them on schedule C.

Mr. THOMAS. What are the grades?

Mr. RHODES. GS–11, confidential assistant to the Chairman, and four GS–10's, probably confidential assistants to the other Commissioners.

Mr. THOMAS. They are nonclassified positions. They are really your private secretaries?

Mr. SWIDLER. Exactly.

Mr. THOMAS. Excuse me. Go ahead.

### REGULATION OF ELECTRIC RATES

Mr. SWIDLER. I would like to go into a little detail now on the subject of regulation of wholesale electric rates.

Electric rate regulation 4 years ago was a neglected responsibility at the Federal Power Commission. The interstate wholesale rates of many utilities were not even on file with the Commission. Moreover, since the entire electric rate staff consisted of four people the

rates that were on file could not be scrutinized. The Commission had not decided an electric rate case in 10 years.

Mr. THOMAS. You are not figuring on taking over these farm co-ops, are you?

Mr. SWIDLER. No, sir.

Electric rate regulation by the FPC is now a fully operative program.

Perhaps I ought to answer your question about co-ops a little more fully to be sure there is no misunderstanding.

We have no interest and no claim of jurisdiction over distribution cooperatives, but, as you know, there is a jurisdictional question as related to the G. & T., roughly a score of them.

Mr. THOMAS. What do you mean by G. & T.?

Mr. SWIDLER. Generation and transmission cooperatives. Some of them are now quite large. They generate and transmit power in interstate commerce and sell the power at wholesale.

Mr. THOMAS. And they cross State lines in interstate commerce?

Mr. SWIDLER. Yes.

Mr. THOMAS. Was it the intention of the Congress to give you that jurisdiction when they passed the law?

Mr. SWIDLER. That is a question now involved in litigation which I am reluctant to comment on. I am trying to keep an open mind on that question.

Mr. THOMAS. Your predecessors didn't think it was the intention of Congress to give you that jurisdiction, did they?

Mr. SWIDLER. My predecessors entered at least a dozen orders in which they assumed they had that jurisdiction; yes, sir.

Mr. THOMAS. Did they function under it?

Mr. SWIDLER. Yes, sir. There are about a dozen orders in which the Commission found cooperatives to be jurisdictional.

Mr. THOMAS. Did the co-ops co-op?

Mr. SWIDLER. Yes, sir; some of them filed.

Mr. THOMAS. Go ahead.

Mr. GIAIMO. Will the Chairman yield?

Mr. THOMAS. Sure.

Mr. GIAIMO. Do you have any jurisdiction over the loans that these co-ops are making?

Mr. SWIDLER. No, sir, not over the REA loans. At least, our counsel has advised us that reading the REA Act makes clear that Congress intended the REA Administration should have exclusive jurisdiction over REA loans so we do not have jurisdiction over them.

Mr. THOMAS. How can you regulate the rates unless you can regulate the money they get?

Mr. SWIDLER. We do that for most of the power companies, sir. We have security jurisdiction only over a minority of the power companies but we regulate their rates.

Mr. THOMAS. You have been seeking jurisdiction over the financing, though, have you not?

Mr. SWIDLER. We do not seek an extension——

Mr. THOMAS. You cannot regulate the rate unless you can control their finances. One step brings on the other, does it not?

Mr. SWIDLER. No, sir. In the electric power industry we have not asked for an extension of jurisdiction over the securities where the

regulation is already taking place by State agencies. Under the Federal Power Act we have jurisdiction, in substance—the formula is a little bit more complex—if the State is regulating the securities of the power company, we do not.

Mr. THOMAS. Where does the Federal Securities and Exchange Commission come in?

Mr. SWIDLER. They regulate the securities of the holding companies rather than the operating companies. Speaking again broadly.

Mr. THOMAS. They have jurisdiction over the operating companies, too, when they offer public securities.

Mr. SWIDLER. They have jurisdiction of a different kind, yes. If the security is to be sold in interstate commerce, they must file a registration statement, just like any other industry would. The extent that the SEC has control over these companies as utilities rather than merely as corporations depends upon their status as members of holding company systems.

Mr. THOMAS. Go ahead.

RATE REDUCTION

Mr. SWIDLER. Electric rate regulation by the FPC is now a fully operative program. A major effort is underway which is bringing about reductions in excessive rate levels. During fiscal year 1962, before the buildup of an electric rate division, there were filed with the Commission reductions that totaled only $127,000. One year later, in 1963, with a regulatory program in the making, reductions totaled $1,205,000, and in fiscal year 1964 they totaled $1,450,000. Reductions of more than $7 million have already been filed and accepted in fiscal year 1965.

These recent rate reductions are greatly in excess of rate increases. The downward trend in wholesale rates has been paralleled by numerous rate reductions at the retail level which have reversed the postwar upward trend of electric rates. Lower rates at both wholesale and retail are now an accepted industry goal, and a goal which is being implemented.

The Commission, of course, cannot regulate wholesale rates until the rate schedules are filed. Many utilities in the past failed to file either because of inadvertence or in an effort to avoid Commission regulation. It has, therefore, been necessary for the Commission to carry out an intensive program to secure compliance with the Federal Power Act. This program received great impetus from the Supreme Court's decision in the *Colton* case, decided by the U.S. Supreme Court in March 1964. Approximately 140 companies have now filed all of their wholesale rate schedules—about twice the number that were on file at the time of the *Colton* decision.

"COLTON" DECISION

Mr. THOMAS. What did that case hold, briefly?

Mr. SWIDLER. The case held that where a company operating wholly within one State received a part of its power from interstate sources and delivered that power wholly within the State, nevertheless, because of the interstate origin of part of the power the wholesale sale was subject to regulation by the Federal Power Commission.

Our jurisdiction does not extend to the retail level so in talking about jurisdiction we are talking only about the wholesale end of the business.

Mr. THOMAS. Go ahead.

Mr. RHODES. An interconnection would be affected by the *Colton* case if the interconnection was with an outside firm?

Mr. SWIDLER. Yes. If electricity is in a network, it does not know who owns the facilities through which it flows.

Mr. BOLAND. Was the reduction in the wholesale prices reflected in a reduction in the retail prices also?

Mr. SWIDLER. I think the whole trend of the industry at the moment is in the direction of rate reductions but I do not think I could trace the results of the particular reductions effected by the Commission. As I have previously said, the starting point for rate reductions are cost reductions and these cost reductions at the wholesale level to the retailers make it possible for them to do a better job of retailing power and to make the power available in larger quantities at more favorable rates. However, I do not suppose they all pass on the savings, sir. Some may pocket the savings.

### WHOLESALE RATE FILINGS

While these results are encouraging there are still a number of companies that we have listed as public utilities which have not filed their wholesale rates. Many others have filed their rates but reserved their right to contest the jurisdictional question. We are hopeful that the test cases now underway will resolve the remaining jurisdictional questions, and enable the Commission to proceed with its program on the basis of a clear-cut understanding of the reach of the Federal Power Act.

Many of these wholesale rates recently filed appear to be at excessive levels when measured by FPC standards of a just and reasonable rate. The Commission's staff is investigating the rates at which 35 companies serve some 600 wholesale customers. These transactions involve total revenues of over $100 million annually, a portion of which may be excessive. The additional manpower we are requesting is urgently needed to complete these studies and to secure appropriate rate reductions.

The Commission is seeking to achieve rate reductions primarily through voluntary filings by the utilities in light of the results of its staff investigations. As I previously mentioned, this program is gathering momentum and over $7 million in rate reductions have been filed in the first 8½ months of this fiscal year. However, in many cases a formal rate case is instituted.

The Commission has ordered formal action against several companies based on staff review of filed rates. Proceedings were instituted against three companies in Georgia, Mississippi, and North Carolina because of dual-rate and other restrictive provisions included in municipal and cooperative power contracts and which would have handicapped the normal growth of these small systems. These cases have resulted in the removal of many of these restrictive provisions. There have been many other actions by the Commission to improve the conditions under which power flows at wholesale in interstate

commerce. Not all of these improvements are reflected as rate reductions, but their importance to purchasers at wholesale may be equally great.

ELECTRIC STAFF INCREASE

Mr. BOLAND. You are looking for 47 additional positions for electric power?

Mr. SWIDLER. Yes, sir; in total for electric power.

Mr. BOLAND. You say two pages back in your statement that the entire electric-rate staff consisted of four people. Is that all you have now?

Mr. SWIDLER. No, sir. The regulation of rates now has grown so that we have at present a total of 69 people in that activity and we are asking for 11 additional.

Mr. THOMAS. Where is your breakdown of those 69 people?

Mr. SWIDLER. I do not think we have given the breakdown by divisions.

Mr. THOMAS. You see what I am talking about.

Mr. SWIDLER. Yes, sir, I do now. But the breakdown of the increase is summarized on page 19.

Mr. THOMAS. It is a good summary but it is nothing but a summary.

Mr. SWIDLER. That is right. I will be glad to summarize those 47 positions for you if you would like me to.

Mr. BOLAND. We can do that when we get to it.

Mr. SWIDLER. Let me put it in the record at this point.

In the rate activity, 11 new positions.

Mr. BOLAND. How many do you have in that activity as of this moment?

Mr. SWIDLER. The 69 is a frozen figure in the budget. Of course there are changes from day to day.

Mr. BOLAND. I am just trying to straighten in my own mind your statement on page 8 that says:

> Moreover, since the entire electric rate staff consisted of four people the rates that were on file could not be scrutinized.

How many people are you adding to these four?

Mr. SWIDLER. These four were the number back in 1962, not last year. We have gone a long way toward curing that situation.

Mr. BOLAND. You left me with the impression that is all you are working with now, four people.

Mr. SWIDLER. No, sir. We could not have reported the results I have mentioned with four people. I might say this breakdown is a functional breakdown.

Mr. BOLAND. Thank you.

NEW ENGLAND ELECTRIC RATE PROGRAM

Mr. SWIDLER. New England is one part of the Nation in which the Commission's wholesale rate program has already achieved important results. In 1962 the Commission ordered a special investigation of the largest wholesale power supplier in the area. This study, which was completed and published in June 1964, showed that power costs could be reduced substantially below 1962 levels and the study recommended means for accomplishing this result.

Mr. GIAIMO. Will the gentleman yield?

Mr. SWIDLER. Yes.

Mr. GIAIMO. Can you tell us why this came about?

Mr. SWIDLER. New England presents a special problem in the national power complex, sir. It is an area, in the first place, of relatively high fuel cost. It is also an area of many small companies.

Mr. GIAIMO. At that point may I interrupt and ask you, are most of those wholesale companies engaged in interstate sales?

Mr. SWIDLER. Many of them are. Some of them are only distributors, over which we have no jurisdiction.

The area is characterized not only by high costs—something that would be hard to change altogether although there is much that could be done—it is also characterized by small and inefficient generating companies and by a failure of coordination among the systems in the area.

Mr. THOMAS. What can you do about this?

Mr. SWIDLER. The first thing we can do is spotlight it, and this we are doing. I think the companies in New England are making progress. In the last few years the major companies have banded together and I think there is a determination among the utilities to bring to a close the era of small and inefficient units in New England.

Mr. THOMAS. You mean the big ones have to absorb the little ones?

Mr. SWIDLER. The big ones are only big relatively.

Mr. THOMAS. Are you running into antitrust suits in the Justice Department?

Mr. SWIDLER. No, sir. Pooling for mutual economy, so long as it does not mean restrictions on service and territorial agreements does not raise any problems of antitrust.

Mr. THOMAS. You are bound to run into that problem, are you not?

Mr. SWIDLER. So far as I know they have not arisen in New England, and they have formed several pools. There is much left to be done. I think the utilities are trying to bring down coal prices and are trying to achieve reductions in transportation cost. They are moving in many directions to bring down power costs, but there are some inherent problems, some very difficult ones, in New England.

Mr. GIAIMO. Can you enumerate some of the facts your study shows are resulting in a reduction in costs, other than the one you mentioned about coal prices?

Mr. SWIDLER. I think you will find a good explanation of that in the National Power Survey, which we published last December, where there is a special treatment of the power supply in New England.

Mr. GIAIMO. Do you have any information to give us on that study or the work in progress that they are doing on atomic energy?

Mr. SWIDLER. On atomic energy? We are familiar with the program for two new atomic stations. I might say some of the facts on the size of the units and deficiencies are set out in a speech I made 2 years ago to the New England Electric Council which I would be glad to send to you.

Mr. GIAIMO. Thank you.

Mr. SWIDLER. In the light of this study, the Commission's staff and the New England Electric System entered into negotiations which have resulted in reductions of nearly $2,600,000. Included in this

amount are reductions of about $460,000 to 18 wholesale customers, including 16 municipal distributors in Massachusetts.

The Town of Shrewsbury, Mass., is an example of the beneficial results of the Commission's wholesale rate program. The Commission ordered the New England Power Co. to serve the town directly rather than through the facilities of an affiliated company—Massachusetts Electric Co. By eliminating the middleman, Shrewsbury's bill for power was reduced by about $42,600 annually or about 7 percent.

Mr. BOLAND. Could this actually be done in other instances where power is distributed indirectly to a municipal plant?

Mr. SWIDLER. I think the New England power system has filed rates designed to eliminate this situation throughout its system. I might say that Shrewsbury announced it has reduced its rates at retail and that the savings at wholesale have been passed on to the customers.

Mr. BOLAND. And the customers in Shrewsbury are very happy about it.

Mr. SWIDLER. I am glad to hear that, sir.

The staff is continuing its intensive investigation with a view to further rationalization and reduction of the rates of the New England Electric System. The Commission has recently received a formal complaint from a cooperative in Vermont regarding the reliability and adequacy of its wholesale service. The Commission is engaged in a variety of activities to bring lower cost power to New England.

Wholesale customers are bringing their rate and contract problems to the FPC in growing numbers. In recent months many complaints have been received seeking relief under the Federal Power Act from wholesale rates that these customers believe are too high or discriminatory. The number of such complaints is growing rapidly as the Commission continues to show results from its rate activities. We must have sufficient staff to process the formal proceedings and informal complaints which are brought to us as well as those we initiate on our own motion.

Of the 19 additional positions in our electric rate regulation work requested for 1966, two positions are for accountants to audit the costs of utility plant as reflected on the utilities' books. This work has been suspended since 1950 because of the almost complete concentration of our auditing staff on natural gas rate cases and on audits of the original cost of licensed hydroelectric projects.

We have revised our regulations to ensure that staff work is kept to a minimum. The new regulations require electric utilities to support rate filings with cost information which will facilitate meaningful Commission review without requiring a detailed field investigation of a company's books in connection with each rate case.

### RATE REGULATION

Effective rate regulation is something mistakenly thought to be simply the maintenance of rates in an appropriate relation to the costs of providing service. Actually, it includes much more than this. For example, rate regulation includes insuring a fair rate design. Some utilities attempt to inhibit competition from their distribution customers for new industrial loads by designing rates which make it diffi-

cult for the distributors to offer a competitive rate to industrial customers and which otherwise discourages expansion of the distributors' loads. It also includes assurances that fuel cost adjustment clauses are designed so that customers receive the full benefits of reductions in fuel costs and that they need not pay more than the actual cost of increases where fuel costs go up.

The benefits of effective wholesale rate regulation go beyond the savings in the cost of electricity, important as those are. What is at stake is the efficient use of our natural resources. We need sufficient staff to insure the availability of lower-cost power to the many small utilities, public and private, whose operations are not large enough to enable them to generate their own power from the most economical sources. In the absence of effective regulation, they will be required in many cases to continue to build small, relatively high-cost generating stations which fail to make the most efficient use of our natural resources.

NATIONAL POWER SURVEY

The United States has entered an era in which the cost of electric power can be reduced substantially through the use of interconnected power pools covering many States. Our efforts to implement the suggestions in the National Power Survey Report will, we trust, help make this possibility a reality. The payoff activity is effective rate regulation.

I have already referred to the importance of the National Power Survey which was published by the Commission on December 13, 1964.

The Commission's survey has encouraged the industry to increase its research efforts and as a result on March 15, 1965, the industry announced the formation of a research committee including representatives of all segments of the industry to accelerate its research efforts on a coordinated basis.

The President has recognized the survey as a constructive step in directing the attention of the Government and of all of the various interested industry groups to our greatly increased power needs of the future. The goal of the national power survey is lower-cost electricity for all Americans. To make this goal a reality will require a followup on the beginning which the survey has achieved in planning the coordinated growth of the electric power industry. The extent to which the ideas and suggestions in the survey report are adopted will depend in part on the degree of the Commission's efforts in encouraging the industry to continue to work together and make the detailed evaluations prerequisite to implementing these suggestions in the survey report.

The working relations which have been established between the Commission and the industry and among the various segments of the industry are the most valuable products of the survey. They should not be allowed to lapse. Therefore, we expect to continue our power survey advisory committees, perhaps in altered form, so that the Commission can continue to carry out its statutory duty to encourage interconnections in cooperation with all segments of the industry.

The national power survey is included under the activity designated "Power system analysis" in the Commission's budget estimates. This work includes the collection and analysis of information on all

aspects of the electric power industry, short-term investigations of present and future electric loads, available and scheduled sources of power supply, and other such basic studies. Over the past several years this work has been handicapped because of personnel shifts to the national power survey. As a result, a number of important studies and reports of a recurring nature have been delayed or not undertaken. In fiscal years 1965 and 1966 increasing effort will be made to publish improved information on the rapidly expanding electric power industry and to make the material available to the industry and the public expeditiously. For example, the Commission's technical memorandum No. 1, which sets forth guidelines and cost data essential to estimates of the value of power from hydroelectric projects, must be updated to include nuclear power costs as well as the cost of pumped storage power. We are requesting two additional people to bring this work up to date.

LICENSING HYDROELECTRIC PROJECTS

I have already mentioned several of the Commission programs underway for improving its oldest function—the licensing of hydroelectric projects.

First, and perhaps foremost, has been our progress in speeding the disposition of the license applications that were pending before the Commission. In June 1961, there was a backlog of $2.2 billion in license applications for the construction of new hydroelectric projects. By June 1963, the backlog had been reduced to $1.8 billion and in the past year it has been further reduced to $1.1 billion. In addition to cutting the backlog in half, we have been processing new cases at a much faster pace.

While prompt action is important it is equally important that the projects which we license are those which are designed and planned to assure the most effective use of our Nation's water resources. The Commission's new program of basinwide water resources appraisal studies is designed to provide us with a more informed basis for making licensing decisions. Let me stress that the basin studies draw upon the accumulated knowledge of other Federal agencies and do not duplicate the efforts of others. This program, which is at no net cost to the Government because the costs are included as part of the reimbursable costs of license administration, must be continued if the Commission is to have an adequate factual basis for assuring that our rivers are developed in a manner which will make the greatest contribution to the multiple purposes they can serve.

RECREATION PROVISIONS IN LICENSES

The FPC is giving an added dimension to the multipurpose use of many licensed projects. Recreation is now a major use of all hydroelectric projects licensed by FPC.

Mr. BOLAND. Can you tell an applicant for an FPC license that he has to include recreation in his project?

Mr. SWIDLER. Yes.

Mr. BOLAND. You can?

Mr. SWIDLER. Yes, sir.

Mr. BOLAND. Can you point to any hydroelectric applicants or licensees who now permit the general public to use the reservoirs for general recreation use?

Mr. SWIDLER. I think quite a few of them permit such use and some of them have quite elaborate plans.

Mr. THOMAS. Without a fee?

Mr. SWIDLER. Most of them, I think, without a fee, though there are concessionaires who charge for services such as launching boats, et cetera. The city of Seattle is an example of a licensee that has an advanced recreation program, and I think the city of Tacoma as well.

Mr. BOLAND. I am talking about private licensees.

Mr. ROSS. Why do you not tell them about Deerfield?

Mr. THOMAS. You have a full explanation in the justifications These private companies do charge fees through concessionaires.

Mr. BOLAND. Public bodies also have their own concessionaires and charge fees. I did not know you had authority to require an applicant to put recreation facilities in a reservoir.

Mr. SWIDLER. We do.

Mr. THOMAS. What are the details of the Deerfield project? Mr. Ross mentioned it.

Mr. ROSS. It is one of the series of old projects where people come in to apply for a license. They are opening up two large reservoirs in the whole stretch of the river to public recreation and will provide basic recreation facilities to the public. This is done voluntarily on their part. It will make available a recreation area in northern Massachusetts and southern Vermont that has not heretofore been tapped.

Mr. BOLAND. Suppose they do not want to do it?

Mr. ROSS. Section 10(a) of the act requires us to grant licenses only to those utilities who agree to adapt their project to a program that will fit the comprehensive use of that basin, which includes recreation.

Mr. THOMAS. When was that act passed?

Mr. ROSS. I think in 1935.

Mr. THOMAS. I thought it was subsequent to that.

Mr. SWIDLER. No. It was part of the 1935 amendment.

I do not think we could require an existing licensee to add recreational features unless the license itself gave us the authority, but as the licenses expire and they come back for renewals, we will be able to see that adequate recreational use is made of the reservoirs. We intend to conduct an educational program. I do not think the licensees intend to exploit these facilities for profit. I think most of them understand the good will involved.

Mr. THOMAS. It does not interfere with the operation, does it?

Mr. SWIDLER. Unless it leads to demands from recreational interests to regulate the reservoirs for their greatest recreational use. Sometimes the people say, particularly if they live along the reservoir, "Don't pull down the reservoir until the swimming and water skiing season is over." That could be expensive.

Mr. BOLAND. It sounds like a good program and I am glad you are getting cooperation on it.

Mr. SWIDLER. When licensees come in with a recreational plan they are required to show they have coordinated with State and local agencies that have responsibility in the recreation field.

The existing impoundments operating under FPC license have a combined surface area of several million acres with thousands of miles of shoreline.

Mr. THOMAS. You do not go so far as to try to regulate the sale of these waterfront lots, put a price on them?

Mr. SWIDLER. No, sir.

(Discussion off the record.)

Mr. SWIDLER. We are aware that our Nation's population will be doubling long before the expiration of the licenses we are now issuing. The demand for recreation areas by the 400 million people expected to be living in the United States by the year 2000, will be enormous. Almost every 1 of the 500 reservoirs now under FPC license has a tremendous recreation potential. We are initiating a comprehensive program to insure that this invaluable asset of our hydroelectric projects is fully developed for use by the general public.

We have already taken one significant step. The rules of the Federal Power Commission now require that applicants for a license file an exhibit showing plans for public access and recreation facilities on project lands and waters. Applicants are required, in developing these plans, to secure the cooperation of State and local recreation agencies.

We also expect to make an appraisal of the recreational potential of existing projects. This will require Commission staff manpower but the benefits to the public in many respects will be greater than any other aspect of our licensing work. We ask your support of this worthwhile program, the cost of which will be borne by the licensees.

We are not urging a Federal program requiring the spending of billions of dollars to provide reservoirs and shoreline facilities. The money has already been spent. The recreational assets are already in being. We are only talking about the handful of people required to make these assets available for use by the American people.

### RECAPTURE PROGRAM

For several years now we have been alerting this committee to the large additional workload which the Federal Power Commission must shoulder when the existing hydroelectric licenses begin to expire. That workload is now upon us. Licenses for two projects with a capacity of 82,000 kilowatts will expire in 1968. Other licenses for 25 projects with almost 500,000 kilowatts of capacity will expire in 1970, and the number will increase in succeeding years.

I say the recapture program is already with us, because the Commission, on October 6, 1964, adopted a rule establishing the policy and procedure for recapture or relicensing. The basic decision is for Congress to make, but the Commission must advise Congress fully of the complex considerations which are involved. It requires at least a 5-year period before the license expires for the Commission to make the necessary studies, receive and evaluate the comments of interested parties, and make its recommendations to Congress in sufficient time to give the required 2 years' statutory notice to the licensee. It is apparent from this timetable that we should be—and we are—already at work on the early projects.

UNLICENSED PROJECTS

Another important Commission licensing program which requires experienced staff manpower involves the numerous hydroelectric projects which, for one reason or another, have operated without licenses for many decades. These are the projects to which the chairman was referring a while ago. In response to our unlicensed project program, that is, the program to bring within the licensing system all projects covered by the statute, 156 license applications for existing projects with a total capacity of about 1,800,000 kilowatts have been filed to date. These projects, mostly small, are located in 80 different streams. The Commission is attempting to secure voluntary compliance to the extent possible and scores of other owners have indicated their willingness to file license applications in the near future.

This program is important because a small unlicensed project can be a large barrier to full development of a waterway and failure of a small dam can cause loss of life and large damage to property. Many have substantial recreational potential. Once these projects are under license the Commission can inspect them to insure their safety and condition the licenses to fit the projects into a pattern of comprehensive development of the waterway. Fixed and definite recapture provisions will be incorporated for the larger projects.

The Federal Power Act was a very advanced piece of legislation, Mr. Chairman. It envisioned a joint enterprise of State and local public agencies and private agencies. It provided all of these should be tied together in comprehensive river improvements that would use the potential in these streams for the greatest possible benefit. This is the responsibility entrusted to the Commission which we have tried to carry out in the ways I have mentioned.

Mr. THOMAS. Suppose we go to lunch now and get back at 1 o'clock?

AFTERNOON SESSION

Mr. THOMAS. The committee will please come to order.

Mr. Chairman, will you resume your statement?

NATURAL GAS REGULATION

Mr. SWIDLER. I turn now to our natural gas program. We are not asking for any increase in staff. We are asking for $6,383,000 to carry out our natural gas work in 1966, which is $140,000 less than the amount budgeted for the current year. The 587 positions are 11 fewer than this year.

I will not go into the details of our progress.

Mr. THOMAS. Go ahead and summarize it.

Mr. SWIDLER. I think you are familiar with it from prior years. We have liquidated our pipeline rate cases with very large refunds. We have made great progress in the area rate proceedings. We have accelerated the handling of both pipeline and producer certificate cases. The aggregate refunds approach two-thirds of a billion dollars.

Natural gas regulation is now a going concern. I think this is recognized by the industry and by outside observers. In my formal statement I quoted one comment by an investment firm to that effect.

COMPETITIVE PIPELINE CERTIFICATES

In 1964, speaking of pipeline certificate work, the Commission issued certificates for $748 million in new construction as compared with $686 million in 1963 and only $373 million in 1962. This has brought gas into many new areas as well as supplementing the supply where natural gas has been available before.

The pipeline certificate workload is growing, and it is becoming much more complex. We have applications approximating $1.5 billion in new construction pending before the Commission. Over half of these are new applications filed within the last 6 months.

About half of the pending proposals represent competing applications to serve the same market. These are new developments that have come about in the last few years.

Mr. THOMAS. That is what makes it difficult?

Mr. SWIDLER. Yes, sir; that is what makes it difficult. The only way that many of these pipelines can expand is through competition, because all of the major markets are already served. The cases are complex and require a far greater number of staff man-hours than where there is only a single applicant. Therefore, I want to call to your attention, Mr. Chairman, that figures alone do not tell the whole story so far as pipeline certificate cases are concerned.

In the noncontested cases I think we have demonstrated it is our desire not to build up workload or to build up staff. We have simplified our procedures until in noncontested cases the certificates are granted in record time. If an application survives a quick staff examination and there are no objections from competing producers or customers, the certificate is granted under an accelerated procedure.

Mr. THOMAS. That is not the rule, though?

Mr. SWIDLER. I believe it is the rule.

Mr. THOMAS. Yes, but I say it is usually contested by some party in some fashion.

Mr. SWIDLER. On a number of cases basis, most certificates are granted under our expedited procedures. We have granted some certificate applications where the amounts involved were in excess of $100 million under the noncontested procedure. I have been told by officials of pipeline companies that they have saved literally hundreds of thousands of dollars as compared to the formal treatment that these applications received a few years ago, for each case.

Mr. THOMAS. How many major cases are there where there is no contest by anybody, competitors or distributors or somebody? There is not one in a blue moon, is there?

Mr. SWIDLER. There are quite a few, sir. These are the applications by the pipelines to add capacity, to add compressors, and to add new stretches of line in order to serve existing markets. Although they involve a great deal of money, since they do not involve additional competition or any new markets, frequently they ride through without objection. They account for a very large part of the total, even in dollars. It is where the pipelines are competing for existing markets or going into new markets that there is competition. Even in these cases, there is a tendency for the parties to get together and see if they cannot agree on parts of the application which can be severed out and involve no competition. Then those noncompetitive parts of the

application are handled separately under the accelerated procedure, leaving for hearing only the competitive part of the application. This we have done in a number of cases.

PIPELINE RATE CASES

We have liquated also the backlog of pipeline rate cases, but of course we cannot retire from the field. Keeping current in our pipeline rate work involves much more than prompt disposition of the rate increase cases which are still being filed. It means company by company review of existing rates. The need for a Commission program of periodic reviews of pipeline rates is obvious. With the stabilization of producer prices, unless existing rates are scrutinized, there will be very little tendency to bring to consumers the benefit of cost reductions.

The recently enacted reduction in Federal income taxes is an illustration of a major reduction in expenses which should be reflected in current rates.

Last year reductions of over $32 million were achieved, a saving which consumers will receive annually.

In light of the recent history of the consequences of inadequate staff, I believe there can be no question of the need for maintaining a staff at a level which can keep current with our pipeline rate work.

PRODUCER REGULATION

As to producer regulation, this has been a year of considerable progress. The results of our efforts are not reflected in refunds or rate reductions, although we have some of each to bring to your attention, refunds of $103 million and rate reductions of $44 million a year. But the major progress has been toward a long-term solution of the producer regulation problem.

As you know, this is procedurally the most difficult problem with which the Commission is faced, and we are moving to resolve it on an area basis. We have not underestimated the difficulty of implementing producer regulation, even though I confess the forecasts that we have made as to the time when that program could be completed have proven to be optimistic. The first of the area proceedings, involving the Permian basin, is now before the Commission for decision. We heard oral argument in February and we have every prospect and, I might add, every intention of handing down our decision in the current fiscal year.

It would be difficult to overestimate the importance of the Permian proceeding. Its disposition would enable us to dispose of hundreds of rate and certificate cases in this large gas-producing area, and would also provide a key to settlement of similar cases in other areas.

Mr. RHODES. What States are included in the Permian basin?

Mr. SWIDLER. Texas and New Mexico.

We realize that clearing up the producer backlog will generate a large workload because we have a lot of cases on the shelf that we will then need attention. The Permian opinion will probably provide the guidelines leading to expedition of the producer rate cases in other areas with a resultant increase in workload.

There is one area of producer regulation work in which we have already shown great progress, and that is in the certificate end. The backlog of cases has been reduced from almost 3,000 in July of 1961, to less than 1,700 on January 1, 1965. Hearings are underway in which hundreds of the remaining applications are being tried under procedures which eliminate the need for elaborate cost showings.

Noncontested producer certificate applications are now being disposed of in 6 to 7 weeks from the date they are filed. The producer certificate workload is a large one. More than 3,400 applications were filed in 1964. An even greater number is expected in 1966, especially from southern Louisiana and the Texas gulf coast areas. The current working inventory is approximately 600, and we hope to approach that by the end of fiscal 1966.

I think I have covered the natural gas end, and I would like to say a word about the purchase of a computer. We figure that we would save money in 5 years on a 1½-shift basis. We will save lots of money——

Mr. THOMAS. You had 2,900 rate cases July 1, 1961, and you have cut it down to 1,691. You have cut it down about 45 percent in 3 or 4 years.

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. You still have a tremendous backlog.

Mr. SWIDLER. We still have a backlog here, and it is related to the producer rate cases, because the rates are frequently the problem involved in certificate cases. Certification raises related rate problems. We think we will be able to bring that number down in the next fiscal year perhaps to a normal working level of 600 cases.

Mr. O'CONNOR. 900 of those are in the *Permian Basin* case.

Mr. THOMAS. What makes you think you will bring it down? You have not brought it down in 4 years.

Mr. SWIDLER. We are trying to improve our performance all the time. We cut it down, as you say, by 45 percent. With the solution of the *Permian* case, I think we can do better.

COMPUTER OPERATIONS

On the computer, we estimate on a 1½-shift basis—I might say currently we are operating on a 1½-shift basis—the saving in 5 years would be $61,000; and over a 7-year period it would be $223,000.

Mr. THOMAS. Your costs this year on your computer are $585,000. Where is it offset with any savings? You want 36 more jobs than you had last year, and you are spending $585,000 on a computer—employees, consultants, rent, purchase money, and what-not. Turn to page 170. You set forth there a pretty good table, showing $585,000 for 1966.

Mr. SWIDLER. Some of that is a one-time cost.

Mr. THOMAS. Equipment lease and maintenance, $21,000. Equipment installation, no figure. Materials and supplies, $20,000. Consulting and contracting services, $75,000. Then one-time costs. Computer purchase, $260,000. Automatic typewriter purchase, $20,000. Total, $585,000. Last year you spent only $467,000.

Mr. SWIDLER. Yes, sir; but we did not buy it last year. We are buying it this year. The benefits would have to be spread over the period of the life of the computer.

Mr. THOMAS. You have been spending half a million dollars for the last 3 years. You got your equipment only in October of 1964.

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. What do you have to show for it?

Mr. SWIDLER. We now have a trained staff and we can take over and exercise our option to buy and, over a period of years, realize very substantial savings.

Mr. THOMAS. You do not allege, like everybody else, that you will save money with these computers. Your personnel costs go up every year in numbers and in dollars.

Mr. SWIDLER. I think we would have to say we are doing a lot of the things that are very important which we could not do without the computer. The computer has become almost essential in the area rate proceedings. It has become essential in making the kind of calculations we made in the national power survey. We are finding many ways to use it in our operations to do a better job.

I think you might well give the computer some of the credit for that.

Mr. THOMAS. You do not allege an offset in personnel costs as everybody else does. Every agency is going to have an offset in personnel. Instead of that actually happening, we find there is an increase in personnel.

Mr. SWIDLER. I think we have to say the computer is just indispensable to us. Things we are doing could hardly be done in a manual way. We can only give you a comparison here of rental versus purchase. We think purchase would be the more economical. If we go to a two-shift basis, the saving that I have given you are lower than those that we would realize. There would be a saving on a one-shift basis. We see clearly the need for 1½ shifts, and we are now thinking very seriously of putting it on a two-shift basis.

I think that concludes my statement.

Mr. THOMAS. It was a very nice statement. You have covered the waterfront.

## SUMMARY OF BUDGET ESTIMATE

Let us look at the justifications. The introductory statement is always interesting. Let us put in the record pages 1, 2, and 3.

Let us follow that with the tables on pages 18 and 19.

(The pages follow:)

### SUMMARY AND HIGHLIGHT STATEMENT

The Federal Power Commission is requesting $13,539,000 for 1966, an increase of $564,500 over the $12,974,500 required for 1965 ($12,439,500 regular appropriation plus $535,000 supplemental requested to cover salary increases under Public Law 88-426, enacted August 14, 1964).

The 1966 budget proposes a reduction of 11 positions in natural-gas work, reflecting improved procedures and increased productivity. However, an increase of 47 positions is needed to meet urgent workload requirements for electric power activities. Therefore, the total request represents a net increase of 36 positions.

An estimated $6,239,802 will be collected in 1966 as a result of Federal Power Commission operations, $5,555,362 of which will accrue to the U.S. Treasury. Thus, the net cost to the Federal Government for the administration of the Commission's regulatory programs is estimated at $7,983,638.

The Commission has accomplished numerous improvements in the processing of its natural-gas workload. In most categories backlogs have been eliminated and the future workload associated with this rapidly growing industry can be handled with 11 fewer positions than in fiscal 1965. The 1966 budget thus

reflects an appreciable increase in productivity as we move toward the elimination of the last remaining area of backlog—the producer rate cases—and keep current in all other areas with a slight reduction in staff.

The 47 additional positions in electric power work are needed for wholesale rate work and supporting activities (19), and for hydroelectric licensing and headwater benefit work (28). By organization, 31 will be in the Bureau of Power, 6 in the Office of the General Counsel, 8 in the Office of Accounting and Finance, and 2 in the Office of Economics.

The Commission's responsibility for regulating all wholesale interstate electric rates was clarified by the Supreme Court during the past year and, as a result, in recent months a huge number of wholesale rates have been filed with the Commission for the first time. More than half of all the wholesale rates now on file with the Commission were submitted within the past year. Additional manpower is needed to process these rates and to make the necessary investigations to determine whether they are just and reasonable and whether the cost reductions utilities are achieving are being reflected in their wholesale rate schedule.

The increased manpower for hydroelectric licensing is necessary to meet the needs of a licensing program to accelerate the most comprehensive development of our Nation's waterways. The program includes basinwide appraisal studies that assemble all available planning information to assist the Commission in licensing the most comprehensive development for all beneficial uses, increased inspections for safety, and a review of all licenses to assure full development of the public recreation potential of the reservoirs formed by the licensed projects. The expiration of licenses in the near future has already placed a new workload on our staff for making recommendations to Congress on the question of whether to recapture these projects. The cost of these 28 positions is fully reimbursable to the Treasury by the licensees.

The 36 new positions and their related costs are estimated at $450,000. A $50,000 increase in travel funds over the programed $400,000 in 1965 is requested to permit increased field audits and inspections. An increase of $260,000 over 1965 is requested for purchase of a computer which we are now leasing, partially offset by reductions in contractual services, rental, and other costs of providing reqiured ADP services commercially.

*Summary of changes*

| | |
|---|---|
| 36 new positions and related costs | +$450,000 |
| Increased travel | +50,000 |
| Purchase of computer | +260,000 |
| Reductions in ADP rentals and contracts and other cost offsets | −195,500 |
| Total increase over 1965 | +564,500 |

SALARIES AND EXPENSES

*Comparative summary by activities*

| | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds |
| 1. Natural gas industry | 616 | $6,134,732 | 598 | $6,523,000 | 587 | $6,383,000 |
| 2. Electric power industry | 199 | 2,301,503 | 207 | 2,450,000 | 226 | 2,743,000 |
| 3. Non-Federal hydroelectric projects | 203 | 2,208,994 | 208 | 2,407,500 | 236 | 2,809,000 |
| 4. Federal river development projects | 44 | 390,365 | 49 | 565,000 | 49 | 575,000 |
| 5. Administration | 86 | 860,805 | 90 | 1,029,000 | 90 | 1,029,000 |
| Total | 1,148 | 11,896,399 | 1,152 | 12,974,500 | 1,188 | 13,539,000 |
| Change in selected resources | | −48,000 | | | | |
| Unobligated balance | | 1,601 | | | | |
| Total appropriation | | 11,850,000 | | 12,439,500 | | 13,539,000 |
| Supplemental required due to salary increase enacted Aug. 14, 1964 | | | | 535,000 | | |

## FEDERAL POWER COMMISSION

*Summary of activities*

| Activity | 1964 actual | | 1965 estimate | | 1966 estimate | | Change from 1965 | |
|---|---|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds | Positions | Funds |
| Natural gas industry: | | | | | | | | |
| Certificates of public convenience and necessity | 229 | $2,280,947 | 222 | $2,421,000 | 215 | $2,339,000 | −7 | −$82,000 |
| Regulation of rates | 350 | 3,485,863 | 344 | 3,752,000 | 340 | 3,694,000 | −4 | −58,000 |
| Enforcement of uniform accounting | 15 | 148,752 | 15 | 164,000 | 15 | 164,000 | | |
| Gathering and analysis of data | 22 | 219,170 | 17 | 186,000 | 17 | 186,000 | | |
| Activity total | 616 | 6,134,732 | 598 | 6,523,000 | 587 | 6,383,000 | −11 | −140,000 |
| Salaries | | 5,228,608 | | 5,465,000 | | 5,325,000 | | −140,000 |
| Travel | | 124,705 | | 138,000 | | 138,000 | | |
| Other | | 781,419 | | 920,000 | | 920,000 | | |
| Electric power industry: | | | | | | | | |
| Regulation of rates | 61 | 707,394 | 69 | 817,000 | 80 | 1,002,000 | +11 | +185,000 |
| Regulation of finances and operations | 21 | 241,840 | 23 | 273,000 | 25 | 305,000 | +2 | +32,000 |
| Enforcement of uniform accounting | 11 | 126,702 | 11 | 130,000 | 15 | 182,000 | +4 | +52,000 |
| Power system analysis | 57 | 661,339 | 57 | 674,000 | 59 | 698,000 | +2 | +24,000 |
| Interconnection and coordination | 17 | 195,785 | 17 | 201,000 | 17 | 201,000 | | |
| Gathering and analysis of data | 32 | 368,443 | 30 | 355,000 | 30 | 355,000 | | |
| Activity total | 199 | 2,301,503 | 207 | 2,450,000 | 226 | 2,743,000 | +19 | +293,000 |
| Salaries | | 1,878,646 | | 2,002,000 | | 2,220,000 | | +218,000 |
| Travel | | 50,819 | | 111,000 | | 135,000 | | +24,000 |
| Other | | 372,038 | | 337,000 | | 388,000 | | +51,000 |
| Non-Federal hydroelectric projects: | | | | | | | | |
| Licensing | 116 | 1,263,568 | 121 | 1,400,500 | 136 | 1,601,000 | +15 | +200,500 |
| Supervision of licensed operations | 24 | 259,980 | 24 | 278,000 | 34 | 444,000 | +10 | +166,000 |
| Headwater benefit determinations | 17 | 184,152 | 17 | 197,000 | 18 | 211,000 | +1 | +14,000 |
| Licensed project accounting | 46 | 501,294 | 46 | 532,000 | 48 | 553,000 | +2 | +21,000 |
| Activity total | 203 | 2,208,994 | 208 | 2,407,500 | 236 | 2,809,000 | +28 | +401,500 |
| Salaries | | 1,791,324 | | 1,964,000 | | 2,282,000 | | +318,000 |
| Travel | | 124,371 | | 112,000 | | 138,000 | | +26,000 |
| Other | | 293,299 | | 331,500 | | 389,000 | | +57,500 |

## FEDERAL POWER COMMISSION—Continued

| Activity | 1964 actual | | 1965 estimate | | 1966 estimate | | Change from 1965 | |
|---|---|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds | Positions | Funds |
| Federal river development projects: | | | | | | | | |
| Cooperative investigations | 37 | 328,580 | 37 | 426,000 | 37 | 436,000 | ..... | +10,000 |
| Survey coordinating committees | 7 | 61,785 | 12 | 139,000 | 12 | 139,000 | ..... | ..... |
| Activity total | 44 | 390,365 | 49 | 565,000 | 49 | 575,000 | ..... | +10,000 |
| Salaries | ..... | 309,963 | ..... | 466,000 | ..... | 466,000 | ..... | ..... |
| Travel | ..... | 15,379 | ..... | 20,000 | ..... | 20,000 | ..... | ..... |
| Other | ..... | 65,023 | ..... | 79,000 | ..... | 89,000 | ..... | +10,000 |
| Administration: | | | | | | | | |
| Activity total | 86 | 860,805 | 90 | 1,029,000 | 90 | 1,029,000 | ..... | ..... |
| Salaries | ..... | 731,576 | ..... | 864,000 | ..... | 864,000 | ..... | ..... |
| Travel | ..... | 19,057 | ..... | 19,000 | ..... | 19,000 | ..... | ..... |
| Other | ..... | 110,172 | ..... | 146,000 | ..... | 146,000 | ..... | ..... |
| Activities, total | 1,148 | 11,896,399 | 1,152 | 12,974,500 | 1,188 | 13,539,000 | +36 | +564,500 |
| Salaries | ..... | 9,940,117 | ..... | 10,761,000 | ..... | 11,157,000 | ..... | +396,000 |
| Travel | ..... | 334,331 | ..... | 400,000 | ..... | 450,000 | ..... | +50,000 |
| Other costs | ..... | 1,621,951 | ..... | 1,813,500 | ..... | 1,932,000 | ..... | +118,500 |
| Changes in selected resources | ..... | −48,000 | ..... | ..... | ..... | ..... | ..... | ..... |
| Unobligated balance | ..... | 1,601 | ..... | ..... | ..... | ..... | ..... | ..... |
| Appropriation | 1,148 | 11,850,000 | 1,152 | 12,439,500 | 1,188 | 13,539,000 | +36 | +1,099,500 |
| Supplemental due to salary increase | ..... | ..... | ..... | 535,000 | ..... | ..... | ..... | −535,000 |
| Total | 1,148 | 11,850,000 | 1,152 | 12,974,500 | 1,188 | 13,539,000 | +36 | +564,500 |

SUMMARY OF POSITIONS

Mr. THOMAS. Natural gas shows 587 positions; electric power, 226; non-Federal hydroelectric projects, 236; Federal river development, 49; and administration, 90. A total of 1,188, an increase of 36 jobs, and a $564,500 increase. Of course, you have about half a million dollars included in your 1965 base for salary increases. You absorbed a flat 10 percent, and no more.

I notice your salary costs for this year are $11,157,000, and your other objects are a little bit out of line. We will go into that in some detail—travel, printing and binding, and maybe one or two other items. They all add up to about 22 percent of your salary costs. Your other objects run almost $2.4 million. It runs around 22 percent. That is a little high, is it not, Mr. Chairman?

Mr. SWIDLER. I have not attempted to compare this item with other agencies, sir. We have tried to present realistic figures here.

Mr. THOMAS. Let us put the table on page 20 in the record. It is a very good table.

(The page follows:)

*Relation of position requirements to activities*

| Office | Natural gas industry | | | Electric power industry | | | Non-Federal hydroelectric projects | | | Federal river development projects | | | Administration | | | Totals | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 | 1964 | 1965 | 1966 |
| Commissioners | | | | | | | | | | | | | 25 | 29 | 29 | 25 | 29 | 29 |
| Office of the Executive Director | | | | | | | | | | | | | 5 | 4 | 4 | 5 | 4 | 4 |
| Office of Secretary | 7 | 7 | 7 | 2 | 2 | 2 | 1 | 1 | 1 | | | | | | | 10 | 10 | 10 |
| Office of Public Information | 5 | 5 | 5 | 3 | 4 | 4 | 1 | 1 | 1 | | | | | | | 9 | 10 | 10 |
| Office of Special Assistants | 8 | 8 | 8 | 1 | 1 | 1 | 1 | 1 | 1 | | | | | | | 10 | 10 | 10 |
| Bureau of Natural Gas | 351 | 335 | 326 | | | | | | | | | | | | | 351 | 335 | 326 |
| Office of Economics | 18 | 18 | 18 | 6 | 6 | 8 | | | | | | | | | | 24 | 24 | 26 |
| Office of Personnel | | | | | | | | | | | | | 17 | 17 | 17 | 17 | 17 | 17 |
| Office of Accounting and Finance | 47 | 45 | 45 | 37 | 35 | 41 | 41 | 41 | 43 | | | | | | | 125 | 121 | 129 |
| Office of Management and Manpower Utilization | 5 | 7 | 7 | 4 | 7 | 7 | 1 | 1 | 1 | | | | | | | 10 | 15 | 15 |
| Office of Hearing Examiners | 25 | 21 | 21 | 7 | 7 | 7 | 2 | 2 | 2 | | | | | | | 34 | 30 | 30 |
| Office of General Counsel | 85 | 85 | 83 | 15 | 17 | 21 | 20 | 20 | 22 | 1 | 1 | 1 | | | | 121 | 123 | 127 |
| Office of Administrative Operations | 65 | 67 | 67 | 20 | 20 | 20 | 29 | 28 | 28 | | | | 16 | 17 | 17 | 130 | 132 | 132 |
| Bureau of Power | | | | 104 | 108 | 115 | 107 | 113 | 137 | 43 | 48 | 48 | | | | 254 | 269 | 300 |
| Office of Program, Budget and Financial Services | | | | | | | | | | | | | 23 | 23 | 23 | 23 | 23 | 23 |
| Total | 616 | 598 | 587 | 199 | 207 | 226 | 203 | 208 | 236 | 44 | 49 | 49 | 86 | 90 | 90 | 1,148 | 1,152 | 1,188 |

Mr. THOMAS. Let us take a look at the chart on page 21, showing your regional offices and your others. Is the Office of Administrative Operations out, or is that just my handwriting? I have "Executive Director, fired." By the way, Senator Daniel Brewster called me and said his constituent got treated mighty rough. What is the story on that? He said he filed for one of these top spots and turned around and got fired. He has been over there how long?

Mr. SWIDLER. Our Executive Director has not been fired, sir. I wonder if you want to put this in the record. There is no immediate contemplation——

Mr. THOMAS. If it ought not to be in the record, we will take it out. What is the story? What is Senator Brewster all up in the air about? Put it on the record and, if it ought to be off, we will take it off.

Mr. SWIDLER. I have had discussions with our Executive Director——

Mr. THOMAS. First, before you go into that, I have "Office of the Administrative Operations, out." What does that mean? Did you take it out or did I take it out? What is the status of that?

Mr. SWIDLER. That is exactly it.

Mr. THOMAS. Why did I put that there? Go ahead. What is the Office of Administrative Operations? Is it a housekeeping activity?

Mr. SWIDLER. Yes.

Mr. TRAINOR. Printing, dockets, registry, mailing.

Mr. THOMAS. Where did I get the idea of "out" here?

Mr. TRAINOR. I think it is because we abolished the Office of Administration. We used to have an Office of Administration under the Executive Director.

Mr. THOMAS. That was the Office that was abolished?

Mr. TRAINOR. That is the one.

Mr. THOMAS. I knew I did not dream it up. Go ahead.

Mr. SWIDLER. Do you want me to say anything further about this General Manager?

Mr. THOMAS. Tell me what Senator Brewster is up in the air about.

Mr. SWIDLER. Sir, we are always looking for ways to improve our operations, and we are under the pressure of our own desire to do a better job and the pressure of this committee and of the Bureau of the Budget. As I say, I am always appraising the work of people in our organization to see whether there is an adequate level.

Mr. THOMAS. He got there 3 or 4 years before you did and has been there 3 or 4 years under you, and he is a grade 18. Most of your Commissioners never heard of the Federal Power Commission before they got over to that job, did they? Here is a man who has been serving over there 7 years. What is behind it? It has been alleged that he filed for one of these top spots and you fired him because he filed.

Mr. SWIDLER. No, sir.

Mr. THOMAS. Did I get it wrong?

Mr. SWIDLER. Yes, sir. That is not right.

Mr. THOMAS. What is the reason for firing him, then?

Mr. SWIDLER. He has not been fired, sir, and it is not at all clear that he will be, but I have talked with him——

Mr. THOMAS. Have you given him notice that he is gone, or what? What is Senator Brewster up in the air about?

Mr. SWIDLER. Probably he received word that Mr. Trainor and I have held these discussions about further——

Mr. THOMAS. Is it because Mr. Brewster recommended him for one of these top jobs? You have five or six grade 18's. He is one of them. You have your chief counsel, the heads of your three operating bureaus and your economist.

Mr. SWIDLER. It is news to me that Sentaor Brewster has recommended him for a top job. You mean a commissionership?

Mr. THOMAS. I assume that.

Mr. SWIDLER. I had not heard of that. This is the first I have heard of that. No, sir; there is nothing to that at all. This is discussions which took place because it is my responsibility to try to do the best I could——

Mr. THOMAS. These are all "Schedule C" unclassified jobs, not under civil service?

Mr. SWIDLER. Not all of them.

Mr. THOMAS. Which ones are under civil service?

Mr. SWIDLER. I think that the top accounting job and the economics job are under civil service.

Mr. THOMAS. How did they get under civil service and the rest are not?

Mr. SWIDLER. I found them all in the status of civil service. I think there has been only one change since I came, and I think that is in the Bureau of Power, and possibly the Bureau of Natural Gas. Those two changes have been made. Other than that I left them as I found them, under "Schedule C" or classified.

Mr. THOMAS. How many "Schedule C" jobs do you have out of the 1,188?

Mr. SWIDLER. I have a list of them here, sir.

Mr. TRAINOR. Twenty-four.

Mr. THOMAS. Is there any nepotism going on in your shop?

Mr. SWIDLER. Not that I am aware of.

Mr. THOMAS. No kinfolks?

Mr. SWIDLER. None of mine, sir.

Mr. THOMAS. How do you arrange it in the executive branch? Do you put them over in another agency?

Mr. SWIDLER. No, sir. I know of no kin of any of the Commissioners who are working in any agency.

(Off the record.)

Mr. THOMAS. What can I tell Senator Brewster?

Mr. SWIDLER. I think you can tell Senator Brewster he is entirely wrong in thinking that there was any relationship between these discussions and whatever he may have nominated——

Mr. THOMAS. The Senator told me he recommended him for one of those Commission jobs.

Mr. SWIDLER. I had not heard that.

Mr. THOMAS. You had not heard it?

Mr. SWIDLER. I had not heard it, and if I had, it would not have made any difference. I think the question is only one——

Mr. THOMAS. Why are you just now firing him? He has been over there under you for 3 or 4 years. He is in one of the top spots.

Mr. SWIDLER. Sir, you are always saying we need all these people and cannot do a better job. This is the point of view——

Mr. THOMAS. Do you think you will get a man who will do a better job than this fellow? I am not trying to tell you how to do your business.

Mr. SWIDLER. I am saying to you, sir, that in every organization there is always a review of the adequacy of personnel.

Mr. THOMAS. Mr. Black did not know anything about the Federal Power Commission before he was appointed.

Mr. SWIDLER. I do not know.

Mr. THOMAS. You know he did not.

Mr. SWIDLER. Always in a large organization there is a question of the adequacy of the people at the top, because they are the most important people. It is from them that the whole staff takes its cue, and their efficiency or lack of it has a very great impact on the progress of the agency.

Mr. THOMAS. What must I tell the Senator?

Mr. SWIDLER. You can tell the Senator that he is wrong entirely in assuming that——

Mr. THOMAS. He is a big double-fisted Irishman, and I do not like to tell him that. He is a Marine, too.

Mr. SWIDLER. You may tell him I had not heard——

Mr. THOMAS. If he had not been in the Marine infantry, I would not mind telling him that, provided he did not weigh more than 100 pounds, but that Irishman weighs about 220.

Mr. SWIDLER. I think you can tell him that there is nothing immediate under contemplation.

Mr. RHODES. Would you yield, Mr. Chairman?

Mr. THOMAS. Yes, sir.

Mr. RHODES. Is it your thought to abolish this job, Mr. Chairman?

Mr. SWIDLER. No, sir. It is my thought that it should be appraised and that we should review the question of whether the job is shaped right and whether it ought to be handled in a different way.

(Off the record.)

COLLECTIONS

Mr. THOMAS. Let us take a look at fees on pages 23 and 24. Put them in the record.

(The pages follow:)

*Collections under the Federal Power Act and from other sources*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| 1. Source of funds: | | | |
| Annual fees from licensees: | | | |
| Collections for administering pt. I of the Federal Power Act | $1,540,304 | [1] $2,644,000 | $2,290,500 |
| Collection for use of Federal lands | 330,848 | 328,953 | 329,075 |
| Collection for maintenance of navigation | 307,454 | 307,454 | 307,454 |
| Fines, penalties, and other forfeitures | 16 | | |
| Collection for use of Indian lands | 241,777 | 241,777 | 241,777 |
| Oregon and California land grant | 996 | 996 | 996 |
| Subtotal—Annual fees from licensees | 2,421,395 | 3,523,180 | 3,169,802 |
| Headwater benefit payments | 1,297,510 | 3,000,000 | 3,000,000 |
| Subtotal—Collections under sec. 10(e) of the Federal Power Act | 3,718,905 | 6,523,180 | 6,169,802 |
| Sale of publications and miscellaneous services | 22,271 | 7,000 | 7,000 |
| Repayment to the United States for cost of remedial works at Niagara River | 63,208 | 63,000 | 63,000 |
| Subtotal—Other collections | 85,479 | 70,000 | 70,000 |
| Total collections | 3,804,384 | 6,593,180 | 6,239,802 |
| 2. Application of funds: | | | |
| Credited to "Miscellaneous receipts"—U.S. Treasury: | | | |
| Collections for administering pt. I of the Federal Power Act | 1,540,304 | [1] 2,644,000 | 2,290,500 |
| Portion of collection from projects on Federal lands | 41,356 | 41,119 | 41,135 |
| Portion of collection for maintenance of navigation | 153,727 | 153,727 | 153,727 |
| Headwater benefit payments | 1,297,510 | 3,000,000 | 3,000,000 |
| Sale of publications and miscellaneous services | 22,271 | 7,000 | 7,000 |
| Fines, penalties, and other forfeitures | 16 | | |
| Repayment to the United States for cost of remedial works at Niagara River | 63,208 | 63,000 | 63,000 |
| Subtotal—"Miscellaneous receipts" | 3,118,392 | 5,908,846 | 5,555,362 |
| Payment to various States (37½ of collections from projects on Federal lands) | 124,068 | 123,358 | 123,403 |
| Payment to reclamation fund from collections from projects on Federal lands | 165,424 | 164,476 | 164,537 |
| Special fund for Department of the Army—to maintain navigation | 153,727 | 153,724 | 153,727 |
| Oregon and California land grant fund | 996 | 996 | 996 |
| Collection for use of Indian lands | 241,777 | 241,777 | 241,777 |
| Total payments | 3,804,384 | 6,593,180 | 6,239,802 |

[1] Includes $524,410 a nonrecurring retroactive annual charge for New York Power Authority held in suspense covering payment for 5 years.

Mr. THOMAS. Total collections, $6,239,802. Are you really going to collect that much this year? If you start charging these pipelines, you might break even.

Mr. SWIDLER. I think we will come close in our licensing work.

Mr. THOMAS. I do not see any reason why these regulatory agencies should not operate on a break-even basis. Why should they not?

Mr. SWIDLER. I do not think we can, because there are many of our activities for which it is not practicable to charge fees. As I mentioned to you, I do think it would be practicable to impose a fee system on our gas certificate work.

Mr. THOMAS. How much does it cost you to pursue these unlicensed power stations and how much did you get back? Did we agree on a figure that it cost you $2,800,000 and you are going to collect about $2,600,000? I believe you said $600,000 and I said $200,000.

Mr. SWIDLER. Apparently there are some $150,000 of costs for the hydroelectric work that is not reimbursed for one reason or another, but the cost of the unlicensed project program would not add to that

because those costs are spread among all licensees and would not be recovered from the particular unlicensed project that was brought under license.

## Natural Gas

Mr. Thomas. Let's take a look at natural gas. Put pages 25, 26, 27, and 28 in the record. Also insert the table on 29.

(The pages follow:)

### Natural Gas

The Commission is requesting 11 fewer positions in fiscal 1966 than are presently authorized for its natural gas work. We have been able to achieve this reduction in our 1966 staff, in the face of the greater workload generated by a growing industry, by increasing our manpower productivity. We are now quickly processing incoming workload and are pushing forward with our independent producer area rate program to eliminate the one remaining backlog of cases.

We need $6,383,000 to carry on our natural gas work in 1966. This is $140,000 less than we expect to spend in 1965, and provides for 11 fewer positions; and it is 29 less positions than we used in 1964.

Through operational efficiencies the Commission made significant inroads on its natural gas rate case backlogs. The billion dollar backlog of pipeline rate cases has been completely liquidated, with refunds in the past 3 years totaling more than $644 million and rate reductions for the future totaling nearly $125 million per year. On the producer front the first of the area rate proceedings, involving the Permian Basin, has moved through the trial stage, the examiner's decision has been issued, and the case is before the Commission for decision. The Permian and the three other area rate proceedings now underway will fix just and reasonable rates for 75 percent of the gas sold in interstate commerce. In the meantime producer settlements have resulted in more than $103 million in refunds and about $44 million per year in rate reductions. These settlements, coupled with our guideline ceiling prices in each area, have stabilized producer prices at an average of just below 17 cents per thousand cubic feet (M c.f.) of gas, halting a trend of increases which had almost doubled the field price of gas in the 1953–62 decade. Much work remains and additional improvements can be achieved in the future, but it is fair to state that natural gas regulation is now a reality.

The effect on the national economy of the Commission's pipeline rate case actions was clearly reflected in the February 1964 cost of living index. The refund and rate reductions ordered by the Commission were identified as major reasons for the first drop in this index since December 1962.

These refunds and rate reductions were generated by the Commission's settlement program, which disposed of the pipeline rate cases on a basis comparable to the results if a full hearing were undertaken but without the attendant manpower requirements and delay. The settlement approach is made feasible by the participation in the negotiations of the Commission's staff to assure that the terms of the settlements protect the public interest. The Commission has also instituted a program to review the earnings of jurisdictional pipeline companies to identify potential additional rate reductions for those pipelines whose unit costs are reduced. Negotiations with the companies resulted in voluntary rate reductions of $32.5 million, some $12 million of which reflected the reduction in Federal income tax rates.

Pending completion of the independent producer area rate proceedings, a producer rate settlement program has been initiated to dispose of those cases where the Commission's staff, the companies, and interveners can reach agreement. This program resulted in settlement of 526 producer rate increase dockets during fiscal year 1964 with refunds of $38.8 million and rate reductions of $17 million.

Just as important as rate cases are the thousands of applications for certificates by producers to make new sales and by pipelines to build new facilities and provide additional service. The Commission in the past year made a successful effort to dispose of pipeline and producer certificate cases more promptly, consistent with affording due process to all interested parties. From July 1, 1963, we completed 688 pipeline certificate matters, approving construc-

tion of 7,173 miles of pipe and 594,815 additional compressor horsepower at a total estimated cost of $929 million. The Commission reduced its backlog of pending pipeline certificate matters from 273 on July 1, 1961, to 254 on January 1, 1965.

An increasing number of the major pipeline certificate applications involve competition between two or more pipelines for the same service, making necessary formal hearings which often are complex and time consuming.

The Commission has achieved good results from its efforts to speed the disposition of producer certificate applications. There were only 1,691 certificate matters pending January 1, 1965, compared with 2,927 on July 1, 1961. In most of the pending cases, service has commenced under temporary authority. New applications are now being processed in a matter of weeks.

*Comparative summary of activity*

| | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds |
| A. Certificates of public convenience and necessity | 229 | $2,280,947 | 222 | $2,421,000 | 215 | $2,339,000 |
| B. Regulation of rates | 350 | 3,485,863 | 344 | 3,752,000 | 340 | 3,694,000 |
| C. Enforcement of uniform accounting | 15 | 148,752 | 15 | 164,000 | 15 | 164,000 |
| D. Gathering and analysis of data | 22 | 219,170 | 17 | 186,000 | 17 | 186,000 |
| Total activity | 616 | 6,134,732 | 598 | 6,523,000 | 587 | 6,383,000 |

Mr. THOMAS. This is pretty good narrative on pages 25 and 26. I shall read some of it if you do not mind a little repetition.

The Commission is requesting 11 fewer positions in fiscal 1966 than are presently authorized for its natural gas work. We have been able to achieve this reduction in our 1966 staff, in the face of the greater workload generated by a growing industry, by increasing our manpower productivity. We are now quickly processing incoming workload and are pushing forward with our independent producer area rate program to eliminate the one remaining backlog of cases.

You have been working on that now for 4 years. What progress have you made? I have a note that you had 2,900 of these cases in 1961, and you still have 1,691 on January 1, 1965.

Mr. SWIDLER. That is right.

Mr. THOMAS. At that rate you will not get them behind you for 10 years, will you?

Mr. SWIDLER. Yes; I think we will, because I think if you projected that curve it would bring you down to the normal backlog in less time than that. We are hoping to get Permian disposed of, and then we can accelerate the pace of bringing that figure down to the normal working amount.

Mr. THOMAS. Pipeline rate cases, 273 in 1961, 254 in 1964. You have about got this licked, have you not?

Mr. SWIDLER. On the pipeline rate cases we have only the current job to do. We have licked the backlog.

Mr. THOMAS. Now I return to some of this good reading.

The Permian and the three other area rate proceedings now underway will fix just and reasonable rates for 75 percent of the gas sold in interstate commerce. In the meantime—

You are only working on one, and you have three more big ones to go. You have been 4 years on Permian. That means you might get

around to all of the others in 10 years. Is my arithmetic right? [Continuing reading:]

In the meantime producer settlements have resulted in more than $103 million in refunds and about $44 million per year in rate reductions. These settlements, coupled with our guideline ceiling prices in each area, have stabilized producer prices at an average of just below 17 cents per thousand cubic feet (Mc.f.) of gas, halting a trend of increases which had almost doubled the field price of gas in the 1952–62 decade.

Salaries have gone up almost 100 percent in this period, have they not?

Mr. SWIDLER. Quite a bit. I do not know whether the increase is 100 percent.

Mr. THOMAS. Why are you holding these down so low, then? How do you expect them to pay salary increases?

[Continuing reading:]

Much work remains and additional improvements can be achieved in the future, but it is fair to state that natural gas regulation is now a reality.

Now I will skip over to page 28.

The Commission has achieved good results from its efforts to speed the disposition of producer certificate applications. There were only 1,691 certificate matters pending January 1, 1965, compared with 2,927 on July 1, 1961. In most of the pending cases, service has commenced under temporary authority. New applications are now being processed in a matter of weeks.

What are you going to do with the 1,600 not processed?

Mr. SWIDLER. We shall try to pull them down.

OFFICE OF ADMINISTRATION ABOLISHED

Mr. THOMAS. Where did I find that when I wrote "out" on this chart? Where is that in your justifications? It is here someplace, or else I would not have written it on the chart.

Mr. Trainor, you said it was the Office of Administrative Operations. What had been eliminted and where is that shown?

Mr. TRAINOR. Office of Administration has been eliminated.

Mr. THOMAS. Where is the narrative on that?

Mr. TRAINOR. I do not think we said anything about it.

Mr. THOMAS. It is in here, or I would not have written this.

Mr. TRAINOR. Under "Manpower utilization," I think we have a line on that, page 103.

Mr. THOMAS. The top paragraph, page 103 [reading]:

During 1964 for purposes of efficiency and economy, the Office of Administration was eliminated as an organizational entity. Autonomous offices reporting directly to the Executive Director were—

You are the one who got executed.

established to shorten the line of communication for the high degree of administrative expedience needed in the financial and personnel management areas.

All the management assistance and manpower utilization functions have been charged to the separate activities because the majority of the work performed in the Office of Management and Manpower Utilization pertaining to ADP is performed for these substantive program activities.

Is it charged to each one of them?

The balance of the work in that office, relating to management analysis, organization, and methods, and manpower utilization, is specifically related to the elements and activities for which such work is done.

How many common service jobs do you have throughout the agency? Do you have what we call a "Medley fund" where you have common services for economics, legal, accounting, and so forth?

Mr. SWIDLER. We have a reproduction——

Mr. THOMAS. Is this the nomenclature for the organization that you eliminated? We would like to see how many people. We want the green sheets on the common services throughout the agency. You are bound to have economists, lawyers, accounting and financial people. How many are involved? You are letting these people handle the ADP, too?

Mr. SWIDLER. Yes.

Mr. THOMAS. They are not eliminated, then. We would like to see it spread on the record so we can see what it is all about.

Mr. SWIDLER. You want to know how much of each of these items is charged to various substantive programs?

Mr. THOMAS. We want to know how many you have of which——

Mr. SWIDLER. We have already undertaken to provide you with a breakdown by divisions.

Mr. THOMAS. That is right. Do you think that is better?

Mr. SWIDLER. At least I know what that is.

Mr. THOMAS. Rather than by what we call the "medley fund," common services. You prefer to do it as you have it set up here.

Mr. SWIDLER. We would be glad to show you by divisions what each organization does. The only program divisions are really the Bureau of Natural Gas and the Bureau of Power. Everything else——

Mr. THOMAS. What about real estate surveys, and so forth?

Mr. SWIDLER. They are in Power. The accountants might be considered to have a separate program in maintaining——

ADP PROGRAM STAFF

Mr. THOMAS. What is the total number of people working on ADP including consultants and everybody else? I cannot tell from your tables here.

Mr. MOY. Fifteen.

Mr. THOMAS. It is bound to be more than that.

Mr. MOY. ADP per se, including EAM——

Mr. THOMAS. What do you mean, per se? Leave that off. How many are there?

Mr. MOY. There are 18 EAM people, and there are 15 ADP people. They are beginning to use these terms synonymously.

Mr. THOMAS. How many maintenance people do you have? You have bought the machine and you will have maintenance people.

Mr. MOY. The maintenance is provided by the corporation from whom we rent the machine.

Mr. THOMAS. You pay for it, though.

Mr. MOY. Yes, sir; it is included in the rental.

Mr. THOMAS. You have to hire those people, that is right. They sell you the machine with a string attached.

Mr. MOY. If you purchase the machine, Mr. Chairman——

Mr. THOMAS. How many people are involved where you are paying rent to the vendor for maintenance?

Mr. MOY. For maintenance we have no particular number of people, sir. Each Monday morning a man comes in and performs pre-

ventive maintenance on the machine over a period of 2½ or 3 hours each week.

Mr. THOMAS. It is a flat figure?

Mr. MOY. It is included in the rental, sir. It is not set out as a separate item.

PROFESSIONAL STAFF

Mr. THOMAS. How many lawyers do you have? How many economists?

Mr. SOLOMON. Seventy-six lawyers.

Mr. THOMAS. How many economists? What do you do with 76 lawyers?

Mr. SWIDLER. With as much litigation as we have, and as much legislative work, and the variety and pressure of work that we have in our agency——

Mr. THOMAS. These are not all lawyers? You do not have secretaries mixed up in that?

Mr. SOLOMON. Seventy-six lawyers, thirty-four secretaries.

Mr. THOMAS. I have a figure of 17 trial examiners in mind.

Mr. SWIDLER. We have 17 trial examiners.

Mr. THOMAS. Grade 17's?

Mr. SWIDLER. They are all 16, except for the Chief Trial Examiner, who is grade 17.

Mr. THOMAS. How many financial experts do you have?

Mr. TRAINOR. I would have to pull that together.

Mr. THOMAS. Does anybody know? I will get to the accountants next. You have a separate classification of financial expert, have you not, or are they all accountants?

Mr. TRAINOR. They are all accountants.

Mr. THOMAS. How many accountants do you have?

Mr. TRAINOR. We have 125 budgeted in the whole agency, and 84 of these are in the Office of Accounting and Finance.

Mr. THOMAS. The office is headed by a GS–18?

Mr. SWIDLER. Yes.

Mr. RHODES. Where are all the lawyers? Where do we find them on the organization chart? Are they all in the Office of the General Counsel?

Mr. TRAINOR. We have 76 in the Office of the General Counsel at present.

Mr. RHODES. That is the total that you gave. Where are the rest of them?

Mr. TRAINOR. Some of them are in the Office of Hearing Examiners. There are 18 in that office.

Mr. RHODES. Then there are 76 plus 18 lawyers in the whole agency.

Mr. SWIDLER. There are more than that, sir.

Mr. THOMAS. You are going to count the trial examiners.

Mr. SWIDLER. If you add in the trial examiners and the assistants.

Mr. RHODES. There are 76 in the Chief Counsel's Office.

Mr. SWIDLER. If you add in the assistants to the Commissioners and add the Office of Special Assistants, who are the opinion writers, I think you bring it up to something in the 90's or over 100.

Mr. RHODES. Do you have the exact figure?

Mr. TRAINOR. 102 lawyers.

(Off the record.)

WORKLOADS AND PERSONNEL—NATURAL GAS

Mr. THOMAS. Let us look at your personnel and workload figures in natural gas. We will put the table on page 30 in the record, "Certificates of Public Convenience and Necessity." This is a summary table on cases, and it is all right. In 1965, pipeline cases, 223, number on hand first of year; number received, 450; total workload, 673; number completed, 484; on hand at the end of year, 189; positions, 93. We will also insert the table on 34.

Under "Regulation of rates," we will insert the table on filings on page 38 and the table on rate cases on 40. Also insert the bottom of page 50 and the narrative of 51 with respect to original cost determinations and follow that with the table on "Investigations" on page 52. We will also insert pages 53, 54, and 55 on "Enforcement of uniform accounting and gathering and analysis of data."

(The material follows:)

A. CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY

*1. Cases: Summary of workload and personnel (certificate cases)*

| | On hand, 1st of year | Number received | Total workload | Number completed | On hand, end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| Pipelines | 264 | 418 | 682 | 436 | 246 | 95 |
| Independent producers | 2,632 | 3,462 | 6,094 | 4,128 | 1,966 | 80 |
| Total | 2,896 | 3,880 | 6,776 | 4,564 | 2,212 | 175 |
| 1965 estimate: | | | | | | |
| Pipelines | 246 | 540 | 696 | 473 | 223 | 93 |
| Independent producers | 1,966 | 3,500 | 5,466 | 4,375 | 1,091 | 80 |
| Total | 2,212 | 3,950 | 6,162 | 4,848 | 1,314 | 173 |
| 1966 estimate: | | | | | | |
| Pipelines | 223 | 450 | 673 | 484 | 189 | 93 |
| Independent producers | 1,091 | 3,650 | 4,741 | 3,841 | 900 | 79 |
| Total | 1,314 | 4,100 | 5,414 | 4,325 | 1,089 | 172 |

*2. Investigations: Summary of workload and personnel (certificate investigations and rules)*

| | On hand 1st of year | Number initiated | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| Pipelines | 3 | 75 | 78 | 70 | 8 | 26 |
| Independent producers | 7 | 8 | 15 | 5 | 10 | 28 |
| Total | 10 | 83 | 93 | 75 | 18 | 54 |
| 1965 estimate: | | | | | | |
| Pipelines | 8 | 78 | 86 | 79 | 7 | 26 |
| Independent producers | 10 | 8 | 18 | 8 | 10 | 23 |
| Total | 18 | 86 | 104 | 87 | 17 | 49 |
| 1966 estimate: | | | | | | |
| Pipelines | 7 | 85 | 92 | 86 | 6 | 26 |
| Independent producers | 10 | 6 | 16 | 8 | 8 | 17 |
| Total | 17 | 91 | 108 | 94 | 14 | 43 |

## B. Regulation of Rates

### 1. Rate filings: Summary of workload and personnel (rate filings)

| | On hand 1st of year | Number received | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| Pipelines | 53 | 1,139 | 1,192 | 1,141 | 51 | 30 |
| Independent producers | 992 | 7,417 | 8,409 | 7,161 | 1,248 | 48 |
| Total | 1,045 | 8,556 | 9,601 | 8,302 | 1,299 | 78 |
| 1965 estimate: | | | | | | |
| Pipelines | 51 | 1,420 | 1,471 | 1,450 | 21 | 30 |
| Independent producers | 1,248 | 7,800 | 9,048 | 8,000 | 1,048 | 48 |
| Total | 1,299 | 9,220 | 10,519 | 9,450 | 1,069 | 78 |
| 1966 estimate: | | | | | | |
| Pipelines | 21 | 1,612 | 1,633 | 1,500 | 133 | 29 |
| Independent producers | 1,048 | 8,500 | 9,548 | 8,850 | 698 | 52 |
| Total | 1,069 | 10,121 | 11,181 | 10,350 | 831 | 81 |

### 2. Rate case: Summary of workload and personnel (rate cases)

| | On hand 1st of year | New cases | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| Pipelines | 42 | 15 | 57 | 29 | 28 | 71 |
| Independent producers | 2,979 | 803 | 3,782 | 552 | 3,230 | 136 |
| Total | 3,021 | 818 | 3,839 | 581 | 3,258 | 207 |
| 1965 estimate: | | | | | | |
| Pipelines | 28 | 20 | 48 | 22 | 26 | 70 |
| Independent producers | 3,230 | 530 | 3,760 | [1] 845 | 2,915 | 139 |
| Total | 3,258 | 550 | 3,808 | 867 | 2,941 | 209 |
| 1966 estimate: | | | | | | |
| Pipelines | 26 | 15 | 41 | 28 | 13 | 67 |
| Independent producers | 2,915 | 500 | 3,415 | [2] 700 | 2,715 | 137 |
| Total | 2,941 | 515 | 3,456 | 728 | 2,728 | 204 |

[1] Includes disposition of Permian Basin Area Proceeding, Docket No. AR61-1.
[2] Includes disposition of South Louisiana Area Proceeding, Docket No. AR61-2, which may not be completed until fiscal 1967.

### 3. Original cost determinations: Personnel requirements

| | Positions |
|---|---|
| 1964 actual | 25 |
| 1965 estimate | 23 |
| 1966 estimate | 23 |

In determining just and reasonable rates for pipelines, the Commission must consider the rate base upon which the company is allowed to earn a reasonable rate of return. The rate base is calculated from the original cost of plant investment, less depreciation, and in order to protect the public interest, the value of the company's facilities devoted to public service must be reviewed and approved. We hope to clear up the large backlog of original cost examinations covering plant investment which, as of July 1, 1964, was approximately $4 billion, by fiscal year 1967 and to maintain this work on a current basis thereafter.

Eleven of seventeen original cost examinations started in 1964 have been completed. Ten are scheduled to start in fiscal 1965 and 10 in fiscal 1966, with plans for completion of 12 examinations during the current year and 14 during the budget year. Twenty-three positions are required for this work in 1966, the same as in 1965.

*4. Investigations: Summary of workload and personnel (rate investigations and rules)*

| | On hand 1st of year | Number initiated | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| Pipelines | 2 | 400 | 402 | 397 | 5 | 36 |
| Independent producers | 0 | 9 | 9 | 7 | 2 | 4 |
| Total | 2 | 409 | 411 | 404 | 7 | 40 |
| 1965 estimate: | | | | | | |
| Pipelines | 5 | 458 | 463 | 458 | 5 | 30 |
| Independent producers | 2 | 8 | 10 | 8 | 2 | 4 |
| Total | 7 | 466 | 473 | 466 | 7 | 34 |
| 1966 estimate: | | | | | | |
| Pipelines | 5 | 583 | 588 | 583 | 5 | 28 |
| Independent producers | 2 | 8 | 10 | 8 | 2 | 4 |
| Total | 7 | 591 | 598 | 591 | 7 | 32 |

## C. Enforcement of Uniform Accounting

*Personnel requirements*

| | *Positions* |
|---|---|
| 1964 actual | 15 |
| 1965 estimate | 15 |
| 1966 estimate | 15 |

The accounts of the pipeline companies are audited and reviewed to assure compliance with the Commission's uniform system of accounts so that accounting data submitted in rate cases will be accurate and reliable, and reporting for statistical purposes will be uniform and complete. A staff of 15 performs compliance audits, review of annual reports and accounting regulations and actions. This activity will be intensified in 1966 with no increase in staff.

1. *Compliance audits.*—Periodic field examinations of accounting records are conducted on a test basis to determine whether the Commission's accounting requirements are being met. Any violations, which are found, are acted upon to remedy deficiencies. Such reviews have been recommended by the American Gas Association and approved by the Bureau of the Budget to minimize detailed reviews by the rate investigation staff. The completion of rate cases is thus expedited. This program is part of the effort to eliminate much of the rate case field work.

2. *Review of annual reports.*—The review of annual financial reports is related to the compliance audits. If accounting violations are discovered by review of the reports, corrections are made through correspondence and conferences. These reviews assure the reliability of data for regulatory purposes. The uniformity and comparability of statistical data on the natural gas industry are also assured.

3. *Accounting regulations and actions.*—The staff drafts, revises and interprets the Commission's accounting regulations and report forms. The administration of the accounting regulations includes the review of the proposed accounting for acquisitions and sales of utility property. Recent changes in the income tax laws have created many accounting and rate-making problems requiring an accounting solution.

## D. Gathering and Analysis of Data

*Personnel requirements*

| | *Positions* |
|---|---|
| 1964 actual | 22 |
| 1965 estimate | 17 |
| 1966 estimate | 17 |

*Operations and publications*

Data on the natural gas industry are taken from financial and operating reports submitted by both independent producers and pipeline companies, and rate schedules or tariffs on file with the Commission. They are analyzed, summarized and assembled in useful forms for publication or use in Commission proceedings.

The collection and interpretation of financial and operating data are necessary functions for the regulation of the natural gas industry. Additionally, these data permit the Commission to inform the public and provide useful information for the natural gas industry and the various Federal and State agencies. Certain data are consolidated into an annual publication "Statistics for Interstate Natural Gas Pipeline Companies" used by many industry executives, investors, investment houses, regulatory officials, and academic institutions. Another publication of widespread interest is "Sales by Producers of Natural Gas to Natural Gas Pipeline Companies."

Publications scheduled for 1966 are—

"Statistics for Interstate Natural Gas Pipeline Companies"—Issued annually.

"Natural Gas Pipeline Companies Operating Revenues and Income"—Issued monthly.

"Sales by Producers of Natural Gas to Natural Gas Pipeline Companies"—Issued annually.

"Depreciation Practices of Natural Gas Companies."

Also, the Commission periodically publishes information on rates for gas delivered to major U.S. cities.

These publications aid regulation, inform the public, and act as an incentive for improved reports from the companies.

## Electric Power Industry

Mr. Thomas. Let us take a look at the electric power industry. We went into that in great detail this morning. It is quite interesting. Let us put the introductory statement on pages 56 through 61 in the record. The Chairman devoted an hour and a half to that this morning. If we put any more in, we will become topheavy.

(The pages follow:)

### Electric Power

#### INTRODUCTION

The Commission's 1966 electric power budget request is required to meet additional workload involved in the comprehensive exercise of wholesale rate regulation, relicensing of old hydroelectric projects, and to provide a more informed basis for licensing both new and old projects as well as increased inspection activity to insure their safe operation. Also, the Commission will have to make recommendations to Congress on hydroelectric projects as the license periods end, in order that decisions may be made whether to relicense or recapture.

With the constantly increasing use of interconnections and power pooling between utility systems to improve service and reduce costs, more and more transactions are in interstate commerce. The landmark decision of the Supreme Court in the *Colton* case makes clear that these transactions are subject to FPC regulation. This decision reiterated the Commission's responsibility for regulating all sales at wholesale by electric utilities in interstate commerce. The Commission now has clear responsibility to assure that savings from the use of larger units and stronger interconnections are passed along to wholesale customers.

The Commission's report on its national power survey, which was issued in December, has reestablished the Federal Power Commission as an active and constructive force stimulating more economical operations by all segments of the electric power industry. A followup effort is a must if the work of the survey is to bear a full harvest in the form of EHV (extra-high voltage) interconnections and other projects for fuller coordination of the power systems throughout the nation to facilitate lower rates to consumers.

The Commission's survey, by focusing attention on the opportunities for savings from interconnections, has triggered final action on many joint industry projects which had been in the planning stage for a long time. Sufficient staff to provide effective rate regulation is necessary to insure that these savings are passed on to consumers in the form of rate reductions.

The national power survey is the first comprehensive attempt in this country to apply a national perspective to the long-term future plans of the 3,600 separate entities that make up the American electric power industry. The report describes the growth and development of the power system technology and power uses between now and 1980. General guidelines are presented for development of power supply that would meet the Nation's electricity requirements at lowest possible costs. The survey will only achieve its purpose if there is sufficient staff to work with the industry to encourage the Nation's power systems to accept the survey's challenge for coordinated growth in the public interest.

A major effort is being directed toward bringing about reductions in excessive rate levels. For fiscal year 1962, the year just prior to the beginning of our buildup of an electric rate division in the Federal Power Commission, rate reductions totaling only $127,000 were filed. One year later, with an effective regulatory program underway, wholesale rate reductions totaling $1,205,000 were field. In fiscal year 1964, they totaled $1,450,000. Reductions of more than $4,800,000 have already been filed and accepted in fiscal year 1965.

These recent rate reductions are greatly in excess of rate increases. The downward trend in wholesale rates has been accompanied by numerous rate reductions at the retail level, reversing the postwar upward trend of electric rates. Lower rates are now an accepted industry goal.

Licensing workload is increasing due primarily to the Commission's intensified program to bring under license some 500 hydroelectric plants operating throughout the country without Federal authorization. The recapture or relicensing of projects whose license terms are expiring in the near future represent another area of additional workload which will require a great deal of manpower in 1966. The workload has been further increased by the recent industry activity in developing large pumped-storage projects to obtain an economical source of peaking power. These applications have created new engineering and legal problems. Two recent cases which have required considerable staff effort are the pumped-storage project near Cornwal, N.Y., proposed by the Consolidated Edison Co. of New York and the Muddy Run project on the Susquehanna River which will utilize the reservoir of the existing Conowingo project. There are five pumped-storage applications pending more are anticipated in 1965 and 1966.

Our licensing work has been further increased by the growing public need for recreational facilities at licensed hydroelectric projects. The staff effort required in working out plans and license conditions to provide the needed recreation facilities is constantly increasing, and several pending cases may go to hearing. This problem is particularly difficult because the licenses issued in the past did not generally require the licensee to take affirmative action to provide recreation facilities. As a result, much effort and time will be required to secure the cooperation of those licensees to carry out the Commission's positive recreation program.

In 1963, the Commission amended its regulations under the Federal Power Act to establish rules for the computation of annual payments for headwater benefits and to prescribe data to be furnished annually by all parties involved. This information has now been filed and will enable us to determine the headwater benefit payments payable to the U.S. Treasury in all of the river basins. Additional staff is needed so that this data can be utilized to bring increased revenues into the Treasury.

Other aspects of our electric power regulatory workload will also grow as the industry expands to meet the increasing demand for power. These activities include mergers of public utilities; the sale or lease of facilities; applications for authority to issue securities to finance expansions; regulation of the holding of interlocking positions by officers and directors of public utilities; the exportation of electric energy and the granting of Presidential permits for the maintenance of electric facilities on U.S. borders; and the approval of rates and charges for the sale of electric power generated at Federal projects as set forth in the Bonneville Act, the Flood Control Act of 1944, the Fort Peck Act, and other Federal statutes.

The workloads involved in implementing our accounting jurisdiction over public utilities and licensees, by appropriate rulemaking proceedings and other

procedures, are increasing as a result of the Commission's effort to provide meaningful accounting standards for the expanding electric power industry. Other rulemaking proceedings, similar to the investment tax credit, political expenditures, accounting for tax deferral and rate filings rules already issued, will be initiated in 1965 and 1966.

The total number of positions we are requesting in fiscal year 1966 to perform our electric power work is 511, compared to 528 in fiscal year 1949 when the industry was only one-third its present size.

The increased positions in the 1966 budget provide for 19 additional positions in the electric power industry activity and 28 positions in the non-Federal hydroelectric projects activity. The increased cost to the Government would be for only 19 positions, because the cost of the 28 positions in non-Federal hydroelectric projects activity would be reimbursed by the licensees.

ELECTRIC POWER INDUSTRY

*Comparative summary of activity*

| | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds |
| A. Regulation of rates | 61 | $707,394 | 69 | $817,000 | 80 | $1,002,000 |
| B. Regulation of finances and operations | 21 | 241,840 | 23 | 273,000 | 25 | 305,000 |
| C. Enforcement of uniform accounting | 11 | 126,702 | 11 | 130,000 | 15 | 182,000 |
| D. Power system analysis | 57 | 661,339 | 57 | 674,000 | 59 | 698,000 |
| E. Interconnection and coordination | 17 | 195,785 | 17 | 201,000 | 17 | 201,000 |
| F. Gathering and analysis of data | 32 | 368,443 | 30 | 355,000 | 30 | 355,000 |
| Total activity | 199 | 2,301,503 | 207 | 2,450,000 | 226 | 2,743,000 |

## NON-FEDERAL HYDROELECTRIC PROJECTS

Mr. THOMAS. Let us take a look at non-Federal hydroelectric projects and put page 80 in the record.

(The page follows:)

NON-FEDERAL HYDROELECTRIC PROJECTS

*Comparative summary of activity*

| | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds |
| A. Licensing | 116 | $1,263,568 | 121 | $1,400,500 | 136 | $1,601,000 |
| B. Supervision of licensed operations | 24 | 259,980 | 24 | 278,000 | 34 | 444,000 |
| C. Headwater benefit determination | 17 | 184,152 | 17 | 197,000 | 18 | 211,000 |
| D. Licensed project accounting | 46 | 501,294 | 46 | 532,000 | 48 | 553,000 |
| Total activity | 203 | 2,208,994 | 208 | 2,407,500 | 236 | 2,809,000 |

NOTE.—The costs of our non-Federal hydroelectric projects activity are reimbursed to the Government by the licensees under the provisions of part I of the Federal Power Act.

Mr. THOMAS. This table tells the tale for 1964, 1965, and 1966. Under "Licensing," 116 positions in 1964, 121 in 1965, and you have jumped it up by 15 jobs this year to 136.

Under "Supervision of licensed operations," 24, 24, and 34, an increase of 10.

Headwater benefit determination, for the years 1964, 1965, and 1966, 17, 17, and 18.

Licensed project accounting. You have to go out and see how much money they are making. [Reading:]

The cost of nonhydroelectric project activities are reimbursed to the Government by the licensee under the provisions of part I of the Federal Power Act.

Do you get a breakeven basis there?

Mr. SWIDLER. We break even except for about $150,000. This loss represents both the exempt agencies, the public agencies that sell their power without profit, and a limited group with licenses going back many years where the licenses specify the amount of fees.

LICENSING

Mr. THOMAS. Let's take a bird's-eye look at your licensing activity, and let's put in the record page 81.

(The page follows:)

*A. Licensing—Summary of workload and personnel*

| | On hand first of year | Received or initiated | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual: | | | | | | |
| 1. Permits and license applications | 219 | 179 | 398 | 131 | 267 | 84 |
| 2. Unlicensed project investigations | | | | | | 3 |
| 3. Water resources appraisals | 0 | 5 | 5 | 0 | 5 | 19 |
| 4. Recapture provisions | 0 | 2 | 2 | 0 | 2 | 0 |
| 5. Power site lands | 82 | 103 | 185 | 108 | 77 | 8 |
| 6. Water power resources | | | | | | 2 |
| Total | | | | | | 116 |
| 1965 estimate: | | | | | | |
| 1. Permits and license applications | 267 | 178 | 445 | 146 | 299 | 84 |
| 2. Unlicensed project investigations | | | | | | 4 |
| 3. Water resources appraisals | 5 | 5 | 10 | 5 | 5 | 19 |
| 4. Recapture provisions | 2 | 11 | 13 | 0 | 13 | 4 |
| 5. Power site lands | 77 | 121 | 198 | 123 | 75 | 8 |
| 6. Water power resources | | | | | | 2 |
| Total | | | | | | 121 |
| 1966 estimate: | | | | | | |
| 1. Permits and license applications | 299 | 175 | 147 | 161 | 313 | 89 |
| 2. Unlicensed project investigations | | | | | | 6 |
| 3. Water resources appraisals | 5 | 10 | 15 | 10 | 5 | 27 |
| 4. Recapture provisions | 13 | 7 | 20 | 2 | 18 | 4 |
| 5. Power site lands | 75 | 125 | 200 | 135 | 65 | 8 |
| 6. Water power resources | | | | | | 2 |
| Total | | | | | | 136 |

Mr. THOMAS. You come up with a table for 1964, 1965, and 1966, and here is what is involved in 1966:

Permits and license applications on hand, 299.

Water resources appraisals positions jumps up to 27 in 1966 against 19 for 1965.

Recapture provisions, four. That is positions required. On hand at the end of the year you show 18 cases and you had 13 to start with.

Powersite lands, on hand at end of the year, 65 against 75 at the first of the year. You received a new batch of 125 for a total workload of 200. You will complete 135 and you carry over 65, and you want 8 positions.

You want a total of 136 positions. That is all in licensing, is it not?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Now, in the whole field you want 236, so you have another to account for. Correct?

Mr. SWIDLER. Yes, sir.

JURISDICTION OVER RATES

Mr. THOMAS. Here is where you give me a lot of headaches. Explain for the record the jurisdiction of the Federal Power Commission in setting rates, where they have absolute authority to set rates, under what circumstances, what type of cases, and what is your cooperative jurisdiction with Interior and the Corps of Engineers? When is it you have absolute authority? When is it your say-so counts?

Mr. SWIDLER. Are you talking only about the sales of power from Federal projects now, or do you want a complete coverage of all of the Commission's jurisdiction over rates?

Mr. THOMAS. The question I am asking is: In what instance or instances does the Federal Power Commission have absolute authority in setting rates?

Mr. SWIDLER. The Commision clearly has jurisdiction to fix wholesale rates for sales in interstate commerce by the investor-owned power companies. It does not have jurisdiction over the wholesale——

Mr. THOMAS. That is investor-owned?

Mr. SWIDLER. Investor-owned; yes.

Mr. THOMAS. Regardless of where the company is located?

Mr. SWIDLER. If the sales are in interstate commerce.

Mr. THOMAS. All right; go ahead.

Mr. SWIDLER. It does not have jurisdiction over the sales at wholesale by publicly owned agencies, municipalities, or States or power districts. Now, that leaves one field——

Mr. THOMAS. How many dams do we have like that?

Mr. SWIDLER. I am talking about generation of power from any source, whether it is a dam or a steamplant.

Mr. THOMAS. How many do we have like that? Very few. Bonneville is not in that classification?

Mr. SWIDLER. No, sir; Bonneville is a Federal agency. I was about to come to that.

Mr. THOMAS. That was set up under Ickes.

Mr. SWIDLER. The Federal Power Commission has some jurisdiction over the rates from the projects built by the Corps of Engineers where the power is sold by the Interior Department. On Bureau of Reclamation projects there is no similar jurisdiction for approval of the rates at which the Bureau sells power, but we have jurisdiction over the rates, by and large, of Bonneville, the Southeastern Power Administration——

Mr. THOMAS. Let's forget the Southeastern Power Administration, Bonneville, and all of the rest of them. As far as Interior is concerned, what jurisdiction do you have?

Mr. SWIDLER. Over Interior's rates?

Mr. THOMAS. Yes. Say here is a reclamation project set up.

Mr. SWIDLER. We have no jurisdiction over the reclamation rates, with possibly one or two special exceptions.

Mr. THOMAS. They have to be special exceptions?

Mr. SWIDLER. Yes, sir.

Mr. RHODES. Will the gentleman yield?

Mr. THOMAS. Yes.

Mr. RHODES. What about resale of reclamation power?

Mr. SWIDLER. We have no jurisdiction over retail rates whatever, except in one narrow situation where we have never exercised the jurisdiction.

Mr. THOMAS. Here is a reclamation project. Regardless of whether it is done by the Corps of Engineers or by the Bureau of Reclamation itself, you have no jurisdiction over it?

Mr. SWIDLER. No, sir.

Mr. THOMAS. Do you have any jurisdiction or do you cooperate with them in planning the dam, picking the site, and so forth? You have laid a lot of emphasis on your cooperative work.

Mr. SWIDLER. We review the plans for construction of both the Corps of Engineers and the Interior Department.

Mr. THOMAS. Mr. Rhodes raised a question this morning about overlapping. Is not that unnecessary overlapping? They allege they have just as good engineers as you do.

Mr. SWIDLER. The FPC is the agency they rely on because of our——

Mr. THOMAS. Would they admit that?

Mr. SWIDLER. I think they would. They rely on us for power market studies, and in determining the feasibility of these projects. They rely on the data that we give them as to the salability of the power and the rate at which it can be sold.

Mr. THOMAS. Let's get this straight once and for all. On reclamation projects you do not have the final say. If anything, you have advisory say?

Mr. SWIDLER. As far as their rates are concerned we have no say.

Mr. THOMAS. That is what I am talking about, the rates.

Mr. RHODES. Before you leave that, may I ask a clarifying question?

Mr. THOMAS. Surely.

Mr. RHODES. Say, for instance, power is sold to a nonpreference customer, a stockholder-owned utility, and the utility then resells the power under wholesale rate to a city. You still have no jurisdiction?

Mr. SWIDLER. We would have jurisdiction over the rate by the power company.

Mr. RHODES. That the power company sells to the city?

Mr. SWIDLER. Yes, sir; we have jurisdiction over that transaction.

Mr. RHODES. So you do have jurisdiction over resale of wholesale reclamation power?

Mr. SWIDLER. Yes, sir.

Mr. RHODES. Thank you.

PRIVATELY OWNED—WHOLESALE RATES

Mr. THOMAS. Now privately owned, where it goes into interstate commerce you do have absolute say-so?

Mr. SWIDLER. Over the wholesale rates?

Mr. THOMAS. Yes.

Mr. SWIDLER. Yes, sir. We think. I do not know that all of the power companies would agree with us on the question of what is a sale in interstate commerce. It is not necessarily a simple question in every case.

Mr. THOMAS. Do they raise the question of lease or interchange or borrowing, or what?

Mr. SWIDLER. I think the main question that is raised—let me give you a contention in a particular case. No, I should not discuss a particular case.

Mr. THOMAS. I understand some of you gentlemen have been in trouble about discussing cases.

Mr. SWIDLER. I think maybe we had better not discuss a particular case. I think I have answered that.

Mr. RHODES. I think I can probably give a hypothetical case. Suppose a power company has a wheeling contract for its preference customer which goes over a State line. Then do you not have a good question as to whether there was a sale?

Mr. SWIDLER. No, sir. We would have jurisdiction over the transportation of power in interstate commerce.

Mr. RHODES. Whether there is a sale or whether the power is merely wheeled?

Mr. SWIDLER. That is right.

Mr. THOMAS. Anything that crosses the line, you have jurisdiction?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Just so it is wholesale?

Mr. SWIDLER. Yes, sir. That is what we think Congress said.

CO-OPS

Mr. THOMAS. And you have no present intention of becoming involved with the farm co-ops?

Mr. SWIDLER. The distribution co-ops we have no interest in except, of course, in wanting to help them.

Mr. THOMAS. What about the other co-ops where they are in the manufacturing and transportation business but still co-ops?

Mr. SWIDLER. This is the situation that we put on the shelf for now. We have instituted some cases intended to provide a record on which we could decide that question formally, but we have shelved those cases. They are still in existence, though, so I think I had better not talk about them.

Mr. THOMAS. You be the judge.

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. There is no need of having the courts jumping on you.

Mr. SWIDLER. No, sir.

PENDING APPLICATIONS

Mr. THOMAS. Let's put page 83 in the record.
(The page follows:)

*Composition of pending applications, beginning of year*

| | 1964 actual | | | 1965 estimate | | | 1966 estimate [1] (number) |
|---|---|---|---|---|---|---|---|
| | Number | Capacity | Cost | Number | Capacity | Cost | |
| | | *Million kilowatts* | *Millions* | | *Million kilowatts* | *Millions* | |
| Preliminary permits | 6 | 1.4 | $297.5 | 9 | 1.6 | $320.9 | 9 |
| Major licenses | 86 | 11.8 | 2,495.5 | 120 | 8.5 | 1,750.6 | 127 |
| Minor licenses | 28 | | | 53 | | | 61 |
| Amendments | 63 | [2] 4 | 25.6 | 70 | [3] 3 | 53.0 | 83 |
| Surrenders and transfers | 36 | | | 15 | | | 19 |
| Total | 219 | 13.6 | 2,818.6 | 267 | 10.4 | 2,124.5 | 299 |

[1] No basis for estimating capacity or cost.
[2] Capacity pending in 8 amendments.
[3] Capacity pending in 7 amendments.

## FEDERAL RIVER DEVELOPMENT PROJECTS

Mr. THOMAS. Let's take a look at the Federal River development projects. Here is where we are doing a lot of cooperating.

Cooperative investigations and related activities. With whom are you cooperating—the Corps of Engineers and Interior?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. This is your dollars and your positions. Cooperative investigations and related activities, you had 37 positions and it cost you $328,580 in 1964. You remain at 37, but now it costs $436,000. Could you get along with about half of these people?

Where are the green sheets on these people? What grade are they? Are these all 13's, 14's, 15's, and 16's, high-grade engineers? What are they?

Mr. SWIDLER. I would assume they were, sir. This kind of work would require at least some senior people in charge.

Mr. THOMAS. Survey coordinating committees, positions 7 in 1964, 12 in 1965, and 12 in 1966.

Mr. SWIDLER. This is our share of the great programs of river basin studies which the Army——

Mr. THOMAS. Everybody is studying them, you and the Corps of Engineers.

Mr. SWIDLER. We are not studying anything that the others are.

Mr. THOMAS. Are you sure about that?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. How are you going to cooperate, then, if you are not studying the same thing?

Mr. SWIDLER. I do not think they study the power feature. I think they are relying on us for that phase of the work. This is our contribution to the study—not the design of the power features, but the power market studies and determination of the power values.

Mr. THOMAS. We will put pages 98, 99, 100, and 101 in the record.
(The pages follow:)

FEDERAL RIVER DEVELOPMENT PROJECTS

The Commission plays a vital role in the development of water resources projects and programs proposed by the Corps of Engineers and the Bureau of Reclamation.

Under statutory procedures, the Commission cooperates with the Corps of Engineers in studies of proposed river development projects and makes recommendations to the Secretary of the Army for safeguarding the hydroelectric power potential of the Army projects. The Commission also cooperates with the Bureau of Reclamation and makes recommendations on reclamation projects. In addition, Commission staff members participate on basin survey coordinating committees that have been established, either through interagency arrangements or by the Corps of Engineers, to facilitate the conduct of comprehensive river basin surveys.

Proposals by the Department of the Interior for the sale of hydroelectric power from projects constructed by the Corps of Engineers are reviewed by the Commission staff. This review provides the basis for Commission action on rates as required by the Flood Control Act of 1944 and other acts.

Work under this activity also includes cost allocations, interagency committee participation, and action on requests from Congress and interested organizations for information and technical assistance on power matters. Cost allocations are needed in the review of Federal project power rates as well as in making headwater benefits determinations.

*A. Cooperative investigations and related activities.—Summary of workload and personnel*

| | On hand 1st of year | Number received | Total workload | Number completed | On hand end of year | Positions required |
|---|---|---|---|---|---|---|
| 1964 actual | 93 | 33 | 126 | 32 | 94 | 37 |
| 1965 estimate | 94 | 36 | 130 | 34 | 96 | 37 |
| 1966 estimate | 96 | 38 | 134 | 36 | 98 | 37 |

The Commission's workload under this activity is based primarily on the cooperative investigation work with the Corps of Engineers, the Bureau of Reclamation, and other agencies in Federal river development projects and programs.

The Commission's unique position in the electric power field provides a large source of knowledge for use by other Government agencies on various aspects of power in water resource development. As consultant, it advises on cost allocations, headwater benefits, rate approval, and economic feasibility. Information obtained is used in the licensing of non-Federal projects.

The Commission is currently represented on various interagency committees concerned with water resources and will be expected to participate extensively in the coming years.

Rate schedules for sale of energy at certain Federal projects are subject to approval by the Commission as a statutory requirement. There were 41 such projects with a capacity of over 10 million kilowatts in operation at the beginning of 1965, and 22 with over 4 million kilowatts capacity under construction. In 1965 and 1966, rate filings will be slightly higher than the eight completed in 1964.

*B. Survey coordinating committee—Personnel requirements*

| | *Positions* |
|---|---|
| 1964 actual | 7 |
| 1965 estimate | 12 |
| 1966 estimate | 12 |

Comprehensive river basin planning studies are being conducted through interagency survey coordinating committees. The 20 studies in which the Federal Power Commission will participate are:

| | |
|---|---|
| Missouri region | Pearl |
| Ohio region | Puget Sound |
| Upper Mississippi region | Red River below Denison Dam |
| Big Black | Sabine |
| Big Muddy | Saint John |
| Connecticut | Susquehanna |
| Genesee | Wabash |
| Grand | White |
| Kanawha | Willamette |
| Pascagoula | Columbia-North Pacific |

During 1964, most of the committees were in the organizational stage. In 1965 and 1966, full-scale planning will commence with the Commission having major responsibility for the power aspects of the various basin plans. Included will be long-term estimates of power loads, plans for developing hydroelectric power, estimates of power value, and costs of alternatives, and power utilization studies.

The Departments of Army, Agricultural, Interior, and Health, Education, and Welfare prepare coordinated budget estimates for the comprehensive river basin planning work. Although this coordination considers participation of the FPC; the costs must be budgeted by the Commission as a separate appropriation. The Federal Power Commission's request is about 1.2 percent of the total cost estimated for the four Departments for this program in fiscal year 1966. It is essential that funds be provided so the Commission may carry out its share of the work of these committees.

Mr. THOMAS (reading):

The Commission plays a vital role in the development of water resources projects and programs proposed by the Corps of Engineers and the Bureau of Reclamation.

Under statutory procedures, the Commission cooperates with the Corps of Engineers in studies of proposed river development projects and makes recommendations to the Secretary of the Army for safeguarding the hydroelectric power potential of the Army projects.

The Corps of Engineers does the same thing, does it not?

The Commission also cooperates with the Bureau of Reclamation and makes recommendations on reclamation projects.

They do the same thing, do they not? They have a whole lot more engineering than you have.

In addition, Commission staff members participate on basin survey coordinating committees that have been established either through interagency arrangements or by the Corps of Engineers to facilitate the conduct of comprehensive river basin surveys.

It looks to me like it overlaps and overlaps.

Mr. SWIDLER. I think they rely on our figures. You can understand that the construction agencies sometimes have pretty optimistic views on what power is worth and the price at which they can sell it. We provide the function of taking a more fishy-eyed look at power values before the money is spent. I think the agencies rely on what we say on power values. We are in much closer touch with the power industry than they are, we are in much closer touch with power transactions.

Mr. THOMAS. Would they admit that? They are in the business of selling power, and how in the world can you say that? They would not make that admission. You set out that you have 20 cooperating projects for 1966.

Comprehensive river basin planning studies are being conducted through interagency survey coordinating committees. The 20 studies in which the Federal Power Commission will participate are—

And you set them out, Missouri region, Ohio region, upper Mississippi region, Big Black, Big Muddy, and so on.

How long have you been studying these projects? Basins have not changed any for the last 1,500 years, and as long as I can remember, for the last 15 or 20 years, you are studying them and studying them and cooperating and cooperating. It looks to me like here is a place where you can make some savings.

Mr. SWIDLER. These are not our studies primarily.

Mr. THOMAS. That is what I say.

Mr. SWIDLER. We are doing the power part of it.

Mr. THOMAS. It seems everybody is studying them, the Corps of Engineers, and Interior, too. [Reading:]

The Federal Power Commission's request is about 1.2 percent of the total cost estimated for the four Departments for this program in fiscal year 1966. It is essential that funds be provided so the Commission may carry out its share of the work of these committees.

It seems like to me that is a little featherbedding statement, is it not? Let's look at the administration.

Mr. SWIDLER. We are trying to tell you the share we carry.

## ADMINISTRATION

Mr. THOMAS. "Administration" is on pages 102 and 103. We will put these in the record.

(The pages follow:)

### ADMINISTRATION

*Comparative summary of activity*

| | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Funds | Positions | Funds | Positions | Funds |
| Administration | 86 | $860,805 | 90 | $1,029,000 | 90 | $1,029,000 |

The "Administration" activity has historically included those elements of the Commission which are considered the executive, planning, or policy levels not attributable to any one activity but rather applicable to the Commission as a whole.

Some areas such as personnel, financial management, program, budget, fiscal, and payroll, even though properly chargeable to all activities, are included as partial overhead costs to the entire Commission.

In the "Administration" activity, the Chairman and the Commissioners and their staffs, the Office of the Executive Director, the Office of Personnel, and the Office of Program, Budget, and Financial Services are included for the full amount.

The position distribution is as follows:

*Position distribution*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Commissioners and staffs [1] | 25 | 29 | 29 |
| Executive Director [1] | 5 | 4 | 4 |
| Personnel [1] | 17 | 17 | 17 |
| Program, budget, and financial services [1] | 23 | 23 | 23 |
| Administrative operations [2] | 16 | 17 | 17 |
| Total | 86 | 90 | 90 |

[1] Full amount.
[2] Prorated.

During 1964, for purposes of efficiency and economy, the Office of Administration was eliminated as an organizational entity. Autonomous offices reporting directly to the Executive Director were established to shorten the lines of communication for the high degree of administrative expediency needed in the financial and personnel management areas.

All the management assistance and manpower utilization functions have been charged to the separate activities because the majority of work performed in the Office of Management and Manpower Utilization pertaining to ADP is performed for these substantive program activities. The balance of the work in that office, relating to management analysis, organization and methods, and manpower utilization, is specifically related to the elements and activities for which such work is done. A negligible portion of work is related to the office elements comprising the Administration activity.

Mr. THOMAS (reading):

The administration activity has historically included those elements of the Commission which are considered the executive, planning, or policy levels not attributable to any one activity but rather applicable to the Commission as a whole.

You have 90 positions. How many Commissioners—four or five now? Four?

Mr. SWIDLER. We still have four, sir. Of course, we expect to be joined by a fifth member in the near future.

Mr. THOMAS. Commissioners and staffs, 29 against 25 for 1964. The Executive Director has four people.

Personnel had 17. "Program and budget," 23 people. Administrative operations, 17 people.

This is your nearest approach to the "Medley fund."

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Is this 90 covered common services throughout the agency?

Mr. SWIDLER. Yes, sir. It covers the sort of housekeeping services. It does not cover the fact that for example, our lawyers are grouped as a pool.

Mr. THOMAS. This would make a small portion of your housekeeping activities.

Mr. SWIDLER. No; I am sorry.

Mr. THOMAS. These are 14's, 15's, 16's, and 17's.

Mr. SWIDLER. I am sorry.

Mr. THOMAS. You might get in trouble with your people over there by calling these housekeeping activities.

Mr. SWIDLER. You are right.

SUMMARY OF OTHER OBJECTS

Mr. THOMAS. We went into your "Other objects."
We will put page 104 in the record.
(The page follows:)

*Summary of request by object class*

| | | 1964 actual | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|---|---|
| 11.0 | Personnel compensation | $9,940,117 | $10,761,000 | $11,157,000 | +$396,000 |
| 12.0 | Personnel benefits | 720,616 | 803,000 | 816,000 | +13,000 |
| 21.0 | Travel and transportation of persons | 334,331 | 400,000 | 450,000 | +50,000 |
| 22.0 | Transportation of things | 28,937 | 17,000 | 17,000 | |
| 23.0 | Rent, communications, and utilities | 214,935 | 300,000 | 221,000 | −79,000 |
| 24.0 | Printing and reproduction | 147,829 | 152,000 | 152,000 | |
| 25.1 | Other services | 310,943 | 230,500 | 130,000 | −100,500 |
| 25.2 | Services of other agencies | 18,111 | 23,000 | 24,000 | +1,000 |
| 26.0 | Supplies and materials | 120,118 | 150,000 | 152,000 | +2,000 |
| 31.0 | Equipment | 60,462 | 138,000 | 420,000 | +282,000 |
| | Total costs funded | 11,896,399 | 12,974,500 | 13,539,000 | +564,500 |
| 94.0 | Change in selected resources | −48,000 | | | |
| 99.0 | Total obligations | 11,848,399 | 12,974,500 | 13,593,000 | +564,500 |

Mr. THOMAS. This table of the personnel compensation shows about $11,100,000, and you have a total bill here of $13,500,000. So "Other objects" adds $2,400,000, which is about 22 percent, and that is a little bit high, is it not?

Travel and Transportation. You increased $50,000. You go up from $400,000 to $450,000 in 1966 and you only had $334,000 in 1964.

Transportation of Things remains at $17,000.

Rent, communications, and utilities, you have cut that down $79,000.

You have five regional offices. Are they located in Federal buildings?

Mr. SWIDLER. I believe they all are, sir.

Mr. THOMAS. Where is your office located in the District of Columbia? Is it rented or Government-owned?

Mr. SWIDLER. The Government-owned GAO Building.

Mr. THOMAS. Printing and reproduction, $152,000 in 1966; $152,000 in 1965 and $147,000 in 1964. This printing bill certainly can be reduced.

On "Other services" you come down $100,000. This is ADP equipment mainly?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Services of other agencies, $24,000. What is this for?

"Supplies and materials" goes up $2,000 this year.

Equipment, that goes up $282,000.

Mr. SWIDLER. That is mostly the computer.

ADP PROGRAM

Mr. THOMAS. We will put the table on page 170 in the record at this point. Also include all the narrative that accompanies this table dealing with your computers. That throws considerable light on the subject.

(The material follows:)

## Automatic Data Processing Program

### FEASIBILITY AND APPLICATION

During 1962 the Commission completed an automatic data processing study and concluded that a need exists for a medium-class computer to process the voluminous data involving the natural gas and electric power industries. The primary purpose of the computer program is to support and speed up the processing of case workload before the Commission.

### SELECTION OF COMPUTER

ADP specifications were completed and released to equipment manufacturers during 1963. Proposals were received from the manufacturers and carefully considered by a Computer Selection Committee comprised of key personnel of each bureau and office concerned. The committee decided unanimously on the Honeywell Model H–200 as being best suited to meet the Commission's needs. The equipment was installed October 15, 1964, on schedule. The Commission has decided that purchase of the equipment is most economical and feasible and plans to consummate the procurement during the first quarter of fiscal year 1966.

### SCOPE OF ADP APPLICATIONS

During the early period of the automatic data processing program, the Commission has had to rely primarily on contractual services for computer time and consultant services. Computer equipment of other agencies has been utilized on a reimbursable basis for limited applications. Since October 15, 1964, date of installation of the new computer, gradual conversion from contractual services to utilization of in-house personnel and equipment has occurred and the Commission is beginning to realize benefits from having its own computer.

The automatic data processing program of the Federal Power Commission has contributed substantially in support of the agency's proceedings during its relatively brief history. Vast amounts of vital data have been processed for the Permian Basin and south Louisiana independent producer area rate proceedings. Preparations are now underway for the Hugoton-Anadarko and Texas Gulf Coast proceedings. Computers have also been used for the National Power Survey. Electric power load studies have been performed, the probability of outages have been computed, and electric transmission costs have been processed. Programs are underway for computation of generating capacity and related peak loads for each power supply area in the United States.

The Commission plans to utilize the new computer in three broad areas throughout fiscal year 1966. First, existing computer systems concerning natural gas and area rate proceedings will be consolidated. Information now in computer files will be used to provide the basis for sophisticated studies of the relationships of gas reserves, costs, rates, and natural gas pipeline systems, embracing all pricing areas in the country. The consolidated system will provide the means for monitoring the basic facts which might suggest changes in each natural gas pricing area. The second area involves electric power applications, including systems analysis to determine the feasibility of automating electric rate filings, development of a system for preparing master records of vital information on electric power projects, and preparation of a program to more effectively utilize important information concerning electric powerplants and generating capacity. The third activity involves the initiation of an effective source data automation program designed to expedite the preparation of input data for the Honeywell computer and reduce the cost of key punching. Source data automation is the use of peripheral equipment, such as automatic typewriters, to prepare computer input as a direct byproduct of daily operations.

The Commission plans to use the results of computer evaluations in its regulatory proceedings, in the development of its regulatory policies, and to prepare statistical data, reports and publications. Whenever possible, the computer will be used to improve the administrative process within the Commission in areas involving workload status and reporting, and control of workload. It will also be used in areas concerning management controls and manpower utilization, and accounting, payroll and budget.

COST OF PROGRAM

The Commission's automatic data processing costs are as follows:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Permanent positions | 23 | 28 | 26 |
| Personnel compensation (gross cost): | | | |
| Systems analysis and programing | $49,300 | $78,000 | $98,000 |
| Computer and electrical accounting machine operations | 81,200 | 101,000 | 91,000 |
| Total | 130,500 | 179,000 | 189,000 |
| Equipment lease and maintenance | 37,100 | 96,000 | 21,000 |
| Equipment installation | | 35,000 | |
| Materials and supplies | 23,000 | 20,000 | 20,000 |
| Consulting and contracting services | 276,427 | 150,000 | 75,000 |
| Cost of continuing program | 467,027 | 480,000 | 305,000 |
| Add one-time cost: | | | |
| Computer purchase | | | 260,000 |
| Automatic typewriters purchase | | | 20,000 |
| Total cost of program | 467,027 | 480,000 | 585,000 |

The personnel staff planned for fiscal year 1966 reflects a transition from contractual support to in-house support of the automation program as well as a transition to full computer operation from a mix of electrical accounting machine and computer operation. The cost of the continuing program is decreased by $175,000 as a direct result of the implementation of the Commission automatic data processing program.

The equipment purchase cost of the computer, exercising our lease-purchase option, is $260,000. The complete configuration of our computer facility will include four automatic typewriters for source data automation input program costing an additional $20,000.

A comparison of cost of computer purchase, including maintenance, with rental for 6 years shows a savings of $72,129, more than 25 percent of the purchase price. The estimate is based on a one-shift operation amortizing the costs over a 6-year period. Substantially greater savings equal to more than $200,000 by the end of the seventh year will be realized by operating the equipment part of a second shift as new programs are developed to convert from manual or electric accounting machine operations to computer operations. The comparison of lease to purchase is shown below:

| | Lease | Purchase | Saving |
|---|---|---|---|
| 1 shift utilization: | | | |
| 5-year comparison | $349,940 | $344,765.90 | $5,175.10 |
| 6-year comparison | 424,520 | 352,390.30 | 72,129.70 |
| 7-year comparison | 499,100 | 360,015.70 | 139,084.30 |
| 1½ shift utilization: | | | |
| 5-year comparison | 417,812 | 356,764.90 | 61,047.10 |
| 6-year comparison | 509,360 | 367,390.30 | 141,969.70 |
| 7-year comparison | 600,908 | 378,015.70 | 222,892.30 |

Included in our estimate is $20,000 for equipment lease and maintenance. Of this amount, $10,000 is for maintenance of the Honeywell 200 computer and $11,000 is for lease of the Electric Accounting Machine tabulating equipment. The cost of computer maintenance will be borne by the FPC, once title to the computer is transferred early in 1966. The estimate of $11,000 for EAM tabulating equipment compares to $34,500 for this purpose in fiscal year 1965. A minimum of processing equipment including two sorters and approximately eight key punch equipments will be retained in the facility.

The estimate of $20,000 for materials and supplies includes provisions for the purchase of punched cards, magnetic tapes, computer ribbon, multipart paper, and other items required for computer operations. There is no change in this category from fiscal year 1965.

The estimate of $75,000 for ADP consulting and contractorual services during fiscal year 1966 is a reduction of $75,000 from that estimated for fiscal year 1965. This has been made possible with the development of in-house ADP personnel capability. The $75,000 estimated for contractual effort is distributed as follows:

(*a*) Electric power—Load studies.—Systems analysis and design to use available data for nationwide load studies and investigation of interties.

(*b*) Electric power—Rate filings.—Study of feasibility of using ADP in electric rate analysis and evaluation of rates.

(*c*) Natural gas rate schedule analysis.—Continuation of system design undertaken in previous fiscal year. Expanded to provide current information on changes in rate schedules. Determination whether certain rate decisions can be made by computer.

(*d*) Key punching and verifying.—During the fiscal year, peak loads occur in key punching annual and one-time reports from industry which can be most economically key punched and verified by a service contractor. Instead of staffing and leasing equipment for the maximum or peak loads during the year, it is more economical to do the additional work by contract. The estimated volume to be key punched is 150,000 cards.

(*e*) Other computer services.—It is estimated that $5,000 will be required to rent computer time on large-scale computers. It is often more economic to do sorts of 100,000 or more records on large-scale computers than on the medium-size Honeywell 200; $1,500 of the $5,000 is for punched paper tape to magnetic tape conversion. It will be more economical for the Commission to initially lease equipment for the required conversion than to acquire its own punched paper tape reader.

Some assistance from ADP service contractors will still be necessary in fiscal year 1966, although the Commission will be nearing independence in implementing its ADP program by then.

Mr. THOMAS. Can you not reduce your travel here $50,000 to $75,000 without hurting anybody? Who does all of this traveling? I notice there is a certain amount set up for each bureau and a certain amount for the Commissioners. I believe $17,000 is set up for the Commissioners.

ENTERTAINMENT EXPENSE

I see a little entertainment money in here, $1,000. Why is that?

Mr. SWIDLER. We have many visitors from abroad and we cannot show them hospitality.

Mr. THOMAS. I thought you were the ones that did the visiting.

Mr. SWIDLER. We receive many, many delegations from all over the world who are interested in our program, and this is to enable us to entertain them.

Mr. THOMAS. How many foreign visitors did you have in the last 6 months? Where are they from?

Mr. SWIDLER. Germany, Japan.

Mr. BLACK. Rumania.

Mr. SWIDLER. I do not know about the last 6 months, but we have had visitors from Russia, England, Canada, Rumania, Turkey.

Mr. THOMAS. How did you arrive at a figure of $1,000? You cannot do too much entertaining on a thousand dollars.

Mr. SWIDLER. It just seemed the smallest amount we could ask for and still be of any help.

Mr. THOMAS. How has that been handled in the years gone by?

Mr. SWIDLER. We have not really done ourselves much credit as hosts, but whatever we have spent has been out of our own pockets.

Mr. THOMAS. That is a little rough. I agree with you there.

COST CHANGES

Let's put page 105 in the record.
(The page follows:)

*Detail of cost changes, 1965–66*

| | |
|---|---|
| New positions cost increases: | |
| Personnel compensation | $396,000 |
| Personnel benefits | 13,000 |
| Telephones | 4,000 |
| Space rental, 1st-year cost | 13,000 |
| Security investigations | 1,500 |
| Health services | 500 |
| Supplies | 2,000 |
| Furniture | 5,000 |
| Calculators, typewriters, and adding machines | 15,000 |
| Total costs, new positions | 450,000 |
| Increase travel | 50,000 |
| Purchase of computer | 260,000 |
| Reduction in ADP rentals and contracts and other cost offsets: | |
| Rental of Xerox machines | −11,000 |
| Rental of EAM–ADP equipment | −85,000 |
| ADP consulting and contractual costs | −75,000 |
| Alteration of space | −35,500 |
| Employees compensation, labor | −1,000 |
| Office furniture | −23,000 |
| Office machines | −20,000 |
| Miscellaneous, other services | −1,000 |
| Decrease subtotal | −251,500 |
| Automatic typewriters | 20,000 |
| Maintenance of computer | 10,000 |
| Duplicating equipment | 25,000 |
| Reception and representation expenses | 1,000 |
| Increase subtotal | 56,000 |
| Net change, other costs | −195,500 |
| Total increase | 564,500 |

TRAVEL

Mr. THOMAS. Let's take a look at "Travel." We will put page 155 in the record.
(The page follows:)

*Travel and transportation of persons—Summary of estimates*

| | 1964 actual | 1965 estimate | 1966 estimate | Difference |
|---|---|---|---|---|
| Natural gas industry | $124,705 | $138,000 | $138,000 | |
| Electric power industry | 50,819 | 111,000 | 135,000 | +$24,000 |
| Non-Federal hydroelectric projects | 124,371 | 112,000 | 138,000 | +26,000 |
| Federal river development projects | 15,379 | 20,000 | 20,000 | |
| Administration | 19,057 | 19,000 | 19,000 | |
| Total | 334,331 | 400,000 | 450,000 | +50,000 |

*Natural gas industry*

In 1966 we have estimated travel and transportation of persons to cost $138,000, the same amount we expect to spend in 1965. We feel that we have reduced to the very minimum our travel in connection with the performance of natural gas work, mainly because of the revised filing procedures which require pipelines to file information in support of rate increases requested. Much of this work formerly was performed by our own staff. Considerable travel still is required in connection with rate investigations, but the effort of our personnel is directed toward reviewing the work of independent accountants and concentration on specific significant issues involved in the rate investigation. Considerable travel also is required in connection with obtaining information and substantiating data in connection with the increasing number of competitive certificate applications which are being filed. In addition, our personnel must keep abreast of the technical advancements and improvements in operating techniques of the gas industry. Travel is required by our auditing personnel who periodically examine by test methods the accounts of pipeline companies to see that their accounts comply with the provisions of the Uniform System of Accounts. Accounting practices of the companies must be evaluated; also we must keep up to date in our original cost determinations for pipeline companies' facilities for use in our rate cases and in our rate investigations.

Mr. THOMAS. "Natural gas industry," $138,000; "Electric power industry," $135,000. That is an increase of $24,000.

"Non-Federal hydroelectric projects," $26,000; increase to $138,000.

"Federal river development projects," $20,000.

"Administration," $19,000( for a total travel bill of $450,000. Why cannot this be reduced $100,000 without hurting anybody?

COMMISSIONER'S TRAVEL

What does the Office of the Commissioner spend? I think it is $17,000 for travel.

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Where do you folks go?

Mr. SWIDLER. We attend some industry conventions. A good deal of this is for speaking engagements.

Mr. THOMAS. I guess you have a thousand invitations, do you not?

Mr. SWIDLER. We receive a lot of speaking invitations. Of course, we do not accept them all.

Mr. THOMAS. What is the rule? Do you pay your own expenses?

Mr. SWIDLER. We pay our own expenses.

Mr. THOMAS. Or do you let the host pay any of them?

Mr. SWIDLER. No, sir; we pay our own expenses. This seems to be the safer course. We pay our own way. We make a few trips to keep up with the progress of the industry. We visit a research laboratory occasionally. We try to visit some of the companies engaged in research to find out what they are doing but, for the most part, we ask companies engaged in power research programs to come into Washington and talk to us there. Not so much because of the travel money involved, to be candid, but because of the time involved.

Mr. THOMAS. There are 5 of you gentlemen and maybe 500 of the others.

Mr. SWIDLER. There are more of them.

ELECTRIC POWER TRAVEL

Mr. THOMAS. How many electric projects do you have under you? Is the figure of 500 about right?

Mr. SWIDLER. There are not as many as 500 licensed yet.

Mr. BROWN. 300 in license numbers, but about 500 individual projects.

Mr. THOMAS. I know I did not get the 500 out of the air.

Mr. SWIDLER. Yes, sir; you are right.

Mr. THOMAS. Federal river development projects. These rivers have not changed appreciably in a hundred years, but they are traveling and investigating them every year. Listen to this, Mr. Rhodes (reading):

> Federal projects are investigated in cooperation with the Corps of Engineers and the Bureau of Reclamation. Close coordination requiring considerable field travel by regional and headquarters personnel, must be maintained between the Commission and the field offices of the construction agencies.

Who does this travel? This is under the jurisdiction, I thought, of your five field offices. Where are they located—Fort Worth, San Francisco, Chicago, New York. And where is the fifth?

Mr. SWIDLER. Atlanta. With only five offices and the country being as big as ours is——

Mr. THOMAS. Where is the Chief Engineer's office located?

Mr. SWIDLER. Here in Washington.

Mr. THOMAS. Who is he?

Mr. SWIDLER. Mr. Brown.

Mr. THOMAS. Is Mr. Brown on the record?

Mr. SWIDLER. Yes, sir. He is Chief of the Bureau of Power and also Chief Engineer.

Mr. THOMAS. Where is Mr. Brown? I see. You wear two hats?

RENTS, COMMUNICATIONS, AND UTILITIES

Mr. THOMAS. "Rents and communications" decrease by $79,000. Insert the table on 160 in the record.

(The table follows:)

*Rents, communications and utilities—Summary of estimates*

| | 1964 actual | 1965 estimate | 1966 estimate | Difference |
|---|---|---|---|---|
| Telephone, TWX, telegraph | $100,710 | $101,000 | $105,000 | +$4,000 |
| Postage | 44,124 | 45,000 | 45,000 | |
| Rent, EAM-ADP equipment | 37,093 | 96,000 | 11,000 | −85,000 |
| Rent, Xerox equipment | 29,818 | 52,500 | 41,500 | −11,000 |
| Relocation lease | 1,344 | 1,500 | 1,500 | |
| Rent additional space | | | 13,000 | +13,000 |
| Miscellaneous | 1,846 | 4,000 | 4,000 | |
| Total | 214,935 | 300,000 | 221,000 | −79,000 |

Mr. THOMAS. Telephone, TWX, telegraph, up $4,000. Is GSA making any money on you? I see you go up $4,000. What is that for? Can you break down the $105,000 for telephone, TWX, and telegraph?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. Can you do it quickly? How are you getting along with GSA?

"Rent and communications" is $221,000 against $300,000 last year, showing a reduction of $79,000. Most of that is rent and ADP equipment?

Mr. SWIDLER. Yes, sir.
Mr. THOMAS. $85,000?
Mr. SWIDLER. Yes, sir.
Mr. THOMAS. How are you getting along with GSA?
Mr. TRAINOR. We have gotten along with them. The price is based on the number of instruments, however, and this $4,000 is premised on the fact we are asking for additional personnel. In other words, if you allow additional personnel——
Mr. THOMAS. Is it easier to do business under the old system or with the new GSA system?
Mr. TRAINOR. Our costs, I do not believe, have gone down.
Mr. THOMAS. Have they gone up? What is this $4,000 for?
Mr. TRAINOR. That increase is because——
Mr. THOMAS. Is it telegrams, Western Union, long distance, or what?
Mr. TRAINOR. All three—telephone, TWX, and telegraph.
Mr. THOMAS. You say it has not gone down. Are you talking more? Under GSA's system you can talk as long as you want to and as often if you can get a line.
Mr. TRAINOR. It is possible that we are. Our communication bills have remained about the same. The increase is predicated——

PRINTING AND REPRODUCTION

Mr. THOMAS. Let's look at "Printing and reproduction," and we will put in pages 161, 162.
(The pages follow:)

*Printing and reproduction—Summary of estimates*

| | 1964 actual | 1965 estimate | 1966 estimate | Difference |
|---|---|---|---|---|
| Public use forms | $19,495 | $9,000 | $9,000 | ---------- |
| Publications | 89,469 | 90,000 | 90,000 | ---------- |
| Maps | 3,601 | 13,500 | 13,500 | ---------- |
| Binding | 961 | 500 | 500 | ---------- |
| Legal briefs | 13,135 | 15,000 | 15,000 | ---------- |
| Field requirements | 3,391 | 4,000 | 4,000 | ---------- |
| Miscellaneous | 17,777 | 20,000 | 20,000 | ---------- |
| Total | 147,829 | 152,000 | 152,000 | ---------- |

Estimates for printing and reproduction requirements totaling $152,000 for 1966 are at the 1965 rate and slightly above the 1964 level. The estimates cover the following items:

| | |
|---|---|
| 1. Reprinting annual report forms for electric utilities and licensees, and natural gas companies, total | $9,000 |
| 2. Printing of publications: | |
| (a) Printing recurring statistical publications as follows: | |
| Statistics for interstate natural gas pipeline companies | 2,100 |
| Statistics of electric utilities, privately owned | 4,100 |
| Statistics of electric utilities, publicly owned | 2,000 |
| Typical electric bills | 1,500 |
| National electric rate books | 5,000 |
| Electric power statistics | 1,400 |
| Steam-electric plant construction costs and annual production expenses | 1,500 |
| Hydroelectric plant construction costs and annual production expenses | 800 |
| Sales by producers and natural gas to natural gas pipeline companies | 2,500 |
| All-electric homes, annual bill | 600 |
| Production of electric energy | 700 |
| Consumption of fuel | 500 |
| (b) Reprinting and supplementary service of important Commission publications as follows: | |
| Federal Power Act | 900 |
| Regulations Under the Natural Gas Act | 1,300 |
| Rules of Practice and Procedure | 600 |
| Regulations Under the Federal Power Act | 500 |
| (c) Printing the annual report of the Federal Power Commission | 4,000 |
| (d) Printing monthly advance sheets and annual bound volumes of FPC reports, opinions, and decisions: | |
| (1) Advance sheets for 12-month period July 1965 through June 1966 | 50,000 |
| (2) Bound volumes for calendar year 1965 | 10,000 |
| Total | 90,000 |
| 3. Printing: | |
| Principal electric facilities (8 regional maps) | 2,800 |
| Major natural gas pipelines (map) | 900 |
| Principal electric facilities in the United States (map) | 9,800 |
| Total | 13,500 |
| 4. Binding library volumes, total | 500 |
| 5. Printing legal briefs, total | 15,000 |
| 6. Miscellaneous field reproduction requirements for the 5 regional offices, total | 4,000 |
| 7. Miscellaneous recurring supply of: | |
| Standard forms | 200 |
| Flatfolded IBM forms | 7,000 |
| Punchcards | 8,500 |
| Stationery | 300 |
| Columnar statistical paper | 2,000 |
| Pamphlets, congressional bills, resolutions, and congressional committee hearing transcripts | 2,000 |
| Total | 20,000 |
| Printing and reproduction, grand total | 152,000 |

Mr. THOMAS. Public use forms, $9,000. You have a printing bill of $152,000. Look at these publications you are printing here. As well as I remember, you have $50,000 or $60,000 for printing and

binding your volumes. Advance sheets for 12-month period, July 1965 through June 1966, $50,000. That is an annual item, is it not?

Mr. TRAINOR. Yes, sir.

Mr. THOMAS. Bound volumes for calendar year 1965, $10,000. Why can you not get along without this? It is just another subsidy to the industry, is it not?

Mr. SWIDLER. This is certainly for the benefit of the industry. Some of these volumes also are sold by the Government Printing Office. The major expenditure is in the advance sheets because then the same sheets are used in printing the bound volumes. That is why the expense shows up at that level. Of course, the industry relies on our precedents. This is the way the Federal power bar functions, and we must leave a record of what we do.

Mr. THOMAS. How important is it to have these printed every year? A good many agencies print them every 3, 4, or 5 years.

Mr. SWIDLER. Because of the interest in the work of this agency there is great pressure on us to bring our publications up to date, which we have now done.

Mr. THOMAS. They can buy them from the reporting service, can they not?

Mr. SWIDLER. No, sir. They can buy individual opinions from a reporting service, but if a practioner wants to be able to find the cases that are in point and to prepare his case for presentation to the Commission, he is dependent on the bound volumes. These are the controlling precedents on these two industries.

Mr. THOMAS. How many decisions does the Commission hand down? How many in the last 12 months?

Mr. SWIDLER. I will put in the exact figure, sir, but we have been averaging about 50 a year.

(NOTE.—It was later determined that 50 is the exact figure.)

Mr. THOMAS. You have been handing down 50 opinions a year and spending $60,000 to get them printed.

Mr. SWIDLER. We have been producing opinions at a rate far in excess of any previous period in the history of the Commission. Our opinions, in the first place, are quite elaborate because they deal with such complex matters. But, in addition to opinions themselves, the volume includes all of our important orders and the examiners' opinions as well, because these, too, are important to practitioners. So we put out——

Mr. THOMAS. Are not your examiners' opinions multigraphed and mimeographed and passed around on a daily basis when the decision comes down?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. It is not a binding opinion on the Commission but it is available through a mimeographed copy. You do that, too, do you not?

Mr. SWIDLER. Yes, sir.

Mr. THOMAS. What does that cost?

Mr. SWIDLER. Putting out the mimeographed copies?

Mr. THOMAS. Yes.

Mr. TRAINOR. We do not have a separate cost for that. It is included in our total.

Mr. THOMAS. It is not part of your $60,000?

Mr. TRAINOR. No, it is not part of the $60,000.

Mr. THOMAS. How do you arrive at what it costs? Do you not know what it costs you?

Mr. SWIDLER. I think we could probably come up with a per page figure, but I do not think we have counted the pages on the different kind of items which our reproduction shop prints.

EQUIPMENT

Mr. THOMAS. We will put in page 165 on equipment, office machines, office furniture, and ADP equipment. We have looked into that Filing equipment and duplicating equipment. Library publications. Also insert pages 166 and 167.

(The pages follow:)

*Equipment—Summary of estimates*

| | 1964 actual | 1965 estimate | 1966 estimate | Difference |
|---|---|---|---|---|
| Office machines | $18,423 | $55,000 | $70,000 | +$15,000 |
| Office furniture | 12,788 | 45,000 | 27,000 | −18,000 |
| Automatic data processing equipment | | | 260,000 | +260,000 |
| Filing equipment | 6,262 | 1,000 | 1,000 | |
| Duplicating equipment | 15,167 | 28,500 | 53,500 | +25,000 |
| Library publications | 6,107 | 7,000 | 7,000 | |
| Miscellaneous | 1,715 | 1,500 | 1,500 | |
| Total | 60,462 | 138,000 | 420,000 | +282,000 |

Equipment requirements for 1966 are $282,000 over the estimate for 1965. The 1966 increased requirement is mainly for purchase of a medium-class computer, the Honeywell H–200 at $260,000.

1. *Office machines.*—A total of $70,000 is requested in 1966 to (*a*) continue the often interrupted program of replacing old typewriters, calculators, and adding machines ($35,000), (*b*) purchase of additional typewriters, calculators, and adding machines to meet the needs of additional staff requested ($15,000), and (*c*) the purchase of four automatic typewriters ($20,000).

These latter machines are required in the source data automation program in which operating divisions will prepare punched paper tape for conversion directly to magnetic tape.

Source data automation obviates the need for an increase in number of key punch operators which would otherwise be required.

2. *Office furniture.*—A total of $27,000 will be required in 1966 to provide for the continuation of the program for replacement of old and wornout items ($22,000) and the purchase of furniture ($5,000) for the additional staff in 1966.

3. *ADP equipment.*—A complete justification for purchase of computer follows in the section on automatic data processing, page 168.

4. *Filing equipment.*—The $1,000 requested will provide funds for the continuation of conversion from filing cabinets to vertical shelving in the large file areas and the subsequent release of file cabinets to give needed office space.

5. *Duplicating equipment.*—The total of $53,500 requested will provide for purchase of:

| | |
|---|---|
| (*a*) Hydraulic lift (new) | $3,000 |
| (*b*) Chemco camera (replacement) | 9,700 |
| (*c*) Folding machine (replacement) | 3,000 |
| (*d*) Plastic binding equipment (new) | 300 |
| (*e*) 17 by 22-inch stripping table (replacement) | 500 |
| (*f*) Offset presses (replacement for mimeograph machines) | 7,000 |
| (*g*) 2 Xerox duplicators (new) | 30,000 |
| Total | 53,500 |

These purchases of new equipment are necessary to continue timely processing of the volume of documents issued by the Commission. Replacement of worn equipment avoids costly repair and loss of time. The purchase of two Xerox machines for $30,000 will result in a savings of $11,000 annually for the use of these machines now on rental contract. Assuming a minimum 5-year period use, this purchase will amount to a $55,000 savings in rental.

6. *Library publications.*—A total of $7,000 will be required for the purchase of bound volumes of timely and essential reference material.

7. *Miscellaneous.*—The amount of $1,500 required in 1965 is requested for the purchase of miscellaneous items of equipment that are necessary in the normal course of operations.

FEDERAL POWER BAR

Mr. O'CONNOR. Back of the bound volumes—I will have to ask the lawyers—is there not something that makes them easier for cross-reference? Because the Federal Power Bar Association each year for the last couple of years has put pressure on us to get them bound. There is something that makes it easier.

Mr. THOMAS. Do you have a separate bar? Can anybody come over and practice or do you have to have an invitation to be admitted?

Mr. SWIDLER. No, sir, there is no requirement for practice before the Commission.

Mr. THOMAS. You do not do like the Patent Office?

Mr. SWIDLER. No, sir. But, on the other hand, there is a large group of lawyers who specialize in our work and who have organized themselves into a separate bar. There are about 600 members of the Federal power bar, and they are among the best and most distinguished lawyers in the field.

Mr. THOMAS. Where do they come from, all over the country but a good part from the District?

Mr. SWIDLER. A good many from the District and some from all over the country; yes, sir. A good many from Houston.

Mr. SOLOMON. More come from all over the country than in any other specialized bar.

Mr. THOMAS. I suppose from all the gas-producing States.

Mr. RHODES. Do they have to be lawyers?

Mr. SWIDLER. No, sir.

Mr. RHODES. So that is a bar that could include nonlawyers?

Mr. SWIDLER. Yes, sir; and we have had arguments that have been made by accountants that appear before us. We listen to anyone with a client who has an interest and try to give weight according to the merits.

PERSONNEL COMPENSATION

Mr. THOMAS. We will put in the table on page 106, personnel compensation.

(The table follows:)

*Personnel compensation—Summary of estimates*

| | 1964 actual | 1965 estimate | 1966 estimate | Difference |
|---|---|---|---|---|
| Total permanent (gross) | $10,191,905 | $11,017,905 | $11,452,130 | +$434,225 |
| Pay over annual rates | 87,280 | 42,000 | 44,000 | +2,000 |
| Lapse | −447,372 | −308,905 | −349,130 | −40,225 |
| (Terminal leave payments) | (80,115) | (50,000) | (44,000) | (6,000) |
| Net permanent positions | 9,831,813 | 10,751,000 | 11,147,000 | +396,000 |
| Temporary positions | 42,624 | | | |
| Consultants | 27,044 | 10,000 | 10,000 | |
| Overtime | 38,636 | | | |
| Total personnel compensation | 9,940,117 | 10,761,000 | 11,157,000 | +396,000 |

Mr. THOMAS. We have gone into this in quite a bit of detail. How much money of the $11,157,000 is for in-grade promotions and how much is for grade-by-grade promotions? Does the Bureau of the Budget give you any rules and regulations on promotions from grade to grade?

Mr. TRAINOR. Yes, sir.

Mr. THOMAS. What are they?

Mr. TRAINOR. We have an objective for grade 14 and above.

Mr. THOMAS. You have a freeze on that?

Mr. TRAINOR. No, it is not a freeze. It is an objective we are supposed to try to meet.

Mr. THOMAS. What is the objective? I thought the Bureau of the Budget put a freeze on 14's and above, and anything below that lets your authority intact with the approval of the Civil Service Commission.

Mr. TRAINOR. I do not interpret the instructions we received as being a freeze.

Mr. THOMAS. What interpretation do you put on it? Do they limit you in the number of 14's, 15's, 16's, 17's, and 18's?

Mr. TRAINOR. We have a specified number in our budget. That is our objective.

Mr. THOMAS. Well, if you want to promote a 14 to a 15, can you do it under existing regulations?

Mr. TRAINOR. Yes, sir.

Mr. THOMAS. Do you have to go to the Civil Service Commission to get any authority?

Mr. TRAINOR. No, sir.

Mr. THOMAS. How much money is there in here for grade-by-grade promotions, then?

Mr. TRAINOR. None.

Mr. THOMAS. How much is in here for in-grade promotions?

Mr. TRAINOR. None.

Mr. THOMAS. It is mandatory. There is bound to be money in your budget for in-grade promotions.

Mr. SWIDLER. I think, sir, there is some money in there in one sense, but the requirement is assumed to be covered by lapses. It is not cost-free, but there is no specific amount identified for it.

TURNOVER

Mr. THOMAS. We will put the table on page 115 on turnover in the record.

(The page follows:)

*Comparison of normal turnover rates by major organizations (permanent positions only), fiscal year 1964*

| Office | Average filled positions | Accessions | | Separations | |
|---|---|---|---|---|---|
| | | Number | Rate | Number | Rate |
| | | | *Percent* | | *Percent* |
| Office of Accounting and Finance | 107 | 18 | 16.8 | 22 | 20.5 |
| Office of the General Counsel | 118 | 23 | 19.4 | 20 | 16.9 |
| Bureau of Natural Gas | 335 | 53 | 15.8 | 50 | 14.8 |
| Bureau of Power | 244 | 33 | 13.5 | 33 | 14.8 |
| Others | 300 | 53 | 17.7 | 41 | 13.6 |
| Total | 1,104 | 180 | 16.3 | 166 | 15.0 |

The above table reflects the accession and separation rates for each of the four largest bureaus and offices of the Commission and all of the other offices combined. In addition to normal turnover, 34 separations were directly attributed to the reduction-in-force. The monthly average separation is 1.25 percent.

Mr. THOMAS. You have no line item and no guesswork in here as to what your in-grade promotions will cost you. Is that correct?

Mr. TRAINOR. That is correct.

VACANT POSITIONS

Mr. THOMAS. How many people did you have aboard February 1 of this year?

Mr. SWIDLER. It must have been about 1,115. I think the latest count was 1,121 as of today. Maybe just a few people less.

Mr. THOMAS. How many positions do you have?

Mr. SWIDLER. 1,152.

Mr. THOMAS. About 30 vacancies is all?

Mr. SWIDLER. Yes, sir.

POSITIONS AND COST BY ORGANIZATIONAL UNIT

Mr. THOMAS. We will put the big chart on page 116 in the record. The rest do not have enough details.

(The chart follows:)

*Summary cost of permanent positions by organization*

| Office | 1965 estimate | | 1966 change | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Positions | Annual salary | Positions | Annual salary | Positions | Annual salary |
| Commissioners | 29 | $395,330 | | | 29 | $395,330 |
| Executive Director | 4 | 46,985 | | | 4 | 46,985 |
| Office of the Secretary | 10 | 76,845 | | | 10 | 76,845 |
| Office of Public Information | 10 | 71,040 | | | 10 | 71,040 |
| Office of Special Assistants | 10 | 118,705 | | | 10 | 118,705 |
| Bureau of Natural Gas: | | | | | | |
| Chief | 52 | 359,490 | −2 | −$20,500 | 50 | 338,990 |
| Producer Division | 78 | 690,880 | −2 | −20,500 | 76 | 670,380 |
| Pipeline Division | 84 | 738,285 | −3 | −30,750 | 81 | 707,535 |
| Area Rate Division | 61 | 632,120 | | | 61 | 632,120 |
| Analysis and Procedures Division | 60 | 616,705 | −2 | −20,500 | 58 | 596,205 |
| Subtotal | 335 | 3,037,480 | −9 | −92,250 | 326 | 2,945,230 |
| Office of Economics: | | | | | | |
| Chief | 6 | 69,985 | | | 6 | 69,985 |
| Division of Econometric Analysis | 5 | 35,435 | | | 5 | 35,435 |
| Division of Economic Studies | 10 | 123,105 | +2 | +20,500 | 12 | 143,605 |
| Division of Reports and Statistical Analysis | 3 | 36,240 | | | 3 | 36,240 |
| Subtotal | 24 | 264,765 | +2 | +20,500 | 26 | 285,265 |
| Office of Personnel | 17 | 133,820 | | | 17 | 133,820 |
| Office of Accounting and Finance: | | | | | | |
| Chief | 5 | 68,395 | | | 5 | 68,395 |
| Division of Audits | 66 | 622,295 | +7 | +84,525 | 73 | 706,820 |
| Division of Systems | 12 | 122,675 | +1 | +12,075 | 13 | 134,750 |
| Division of Finance and Statistics | 38 | 324,055 | | | 38 | 324,055 |
| Subtotal | 121 | 1,137,420 | +8 | +96,600 | 129 | 1,234,020 |
| Office of Management and Manpower Utilization | 15 | 162,405 | | | 15 | 162,405 |
| Office of Hearing Examiners | 30 | 459,555 | | | 30 | 459,555 |
| Office of the General Counsel | 123 | 1,310,370 | +4 | +44,650 | 127 | 1,355,020 |
| Office of Administrative Operations | 132 | 742,025 | | | 132 | 742,025 |
| Bureau of Power: | | | | | | |
| Chief | 9 | 132,310 | | | 9 | 132,310 |
| Division of Rates and Corporate Regulation | 36 | 381,460 | +7 | +88,715 | 43 | 470,175 |
| Division of Electric Resources and Requirements | 34 | 345,420 | +2 | +24,150 | 36 | 369,570 |
| Division of River Basins | 25 | 281,045 | | | 25 | 281,045 |
| Division of Licensed Projects | 45 | 491,720 | +6 | +76,910 | 51 | 568,630 |
| Regional Offices | 120 | 1,243,540 | +16 | +174,950 | 136 | 1,418,490 |
| Subtotal | 269 | 2,875,495 | +31 | +364,725 | 300 | 3,240,220 |
| Office of Program, Budget, and Financial Services | 23 | 185,665 | | | 23 | 185,665 |
| Total | 1,152 | 11,017,905 | +36 | +434,225 | 1,188 | 11,452,130 |

Mr. THOMAS. Next year, gentlemen, come up with some green sheets. We do not want the summaries, although they are very helpful. We want green sheets after each unit, and broken down into sections.

Mr. SWIDLER. We will do that.

Mr. THOMAS. Any questions, Mr. Rhodes?

Mr. RHODES. No, sir.

Mr. THOMAS. Thank you, gentlemen. It has been a very pleasant hearing. It is nice to have you up here.

TUESDAY, MARCH 30, 1965.

## OFFICE OF CIVIL DEFENSE

### WITNESSES

WILLIAM P. DURKEE, DIRECTOR OF CIVIL DEFENSE
ROBERT E. HOLT, ASSISTANT DIRECTOR FOR MANAGEMENT
TROY V. McKINNEY, COMPTROLLER
HUBERT A. SCHON, DEPUTY DIRECTOR OF CIVIL DEFENSE
JANE FIQUET HANNA, DEPUTY DIRECTOR OF CIVIL DEFENSE
ROBERT E. YOUNG, EXECUTIVE ASSISTANT TO THE DIRECTOR OF CIVIL DEFENSE
CHARLES M. MANNING, GENERAL COUNSEL
JOSEPH ROMM, ASSISTANT DIRECTOR FOR POLICY AND PROGRAMS
JOHN W. McCONNELL, ASSISTANT DIRECTOR FOR PLANS AND OPERATIONS
WALMER E. STROPE, ASSISTANT DIRECTOR FOR RESEARCH
REN F. READ, ASSISTANT DIRECTOR FOR TECHNICAL SERVICES
EDWARD S. JOHNSON, DEPUTY COMPTROLLER
FREDERIC E. STEVENSON, DIRECTOR, PROGRAMS DIVISION
JACK RASKIN, DIRECTOR, BUDGET DIVISION
JOHN E. COSGROVE, ASSISTANT DIRECTOR, OFFICE OF EMERGENCY PLANNING
JOHN J. O'NEILL, CHIEF, GOVERNMENT CONTINUITY DIVISION, OFFICE OF EMERGENCY PLANNING

Mr. THOMAS. Gentlemen, will the committee please come to order.

We have the honor and pleasure to have our many distinguished friends from the Office of Civil Defense here this morning. We welcome all of you.

It is nice to have Mr. Durkee, the Director of Civil Defense; Mr. Holt, the Assistant Director for Management; Mr. McKinney, the Comptroller. Where is the moneybag?

Mr. MCKINNEY. Here, Mr. Chairman.

Mr. THOMAS. Glad to see you. He has three bags outside.

And Mr. Schon, the Deputy Director of Civil Defense; Mrs. Hanna, the Deputy Director of Civil Defense. Mrs. Hanna, it is nice to have the honor and privilege of having you here again. We cannot get along without these girls. Sometimes they tell us we cannot get along with them. You must come see us again.

And Mr. Young, the Executive Assistant to the Director of Civil Defense; Mr. Manning, the General Counsel. Where is the Chief Justice?

Mr. MANNING. Right here, Mr. Chairman.

Mr. THOMAS. How are you getting along?

Mr. MANNING. Very fine.

Mr. THOMAS. And Mr. Romm, Assistant Director for Policy and Programs; Mr. McConnell, Assistant Director for Plans and Operations; Mr. Strope, Assistant Director for Research. Where is Dr. Strope?

Mr. STROPE. Here, Mr. Chairman.

Mr. THOMAS. How are you feeling this morning, Doctor? You have that pipe going. I have already counted five pipes this morning. But you do not have the record. We had one group with six pipes.

We have Mr. Read, Assistant Director for Technical Services; Mr. Johnson, Deputy Comptroller; Mr. Stevenson, Director, Programs Division; Mr. Raskin, Director of the Budget Division; Mr. Cosgrove, Assistant Director, Office of Emergency Planning; and Mr. O'Neill, Chief of the Government Continuity Division, Office of Emergency Planning.

Welcome aboard. If you have some statements for us we will be delighted to listen to you as long as you want to talk.

### General Statement

Mr. Durkee. Mr. Chairman, I know you are anxious to get into the budget, and I am too. I would like to make a few remarks on the matter of the program's perspective if you will allow me.

Mr. Thomas. The floor is yours.

Mr. Durkee. As you know, we have been wrestling with the problem of civil defense in the Departmentof Defense for 3 years now, and one of the questions that came up when it was transferred to the Department of Defense was whether the country was justified in doing anything at all about this subject and if so, why.

I think this year Secretary McNamara in his military posture briefings and the President in his message made clear what the position of civil defense is in relationship to our total national defense. It was described as the cheapest measure that could be taken in the event of a nuclear attack.

Mr. Thomas. Off the record.

(Discussion off the record.)

### Current Civil Defense Program

Mr. Durkee. Mr. Chairman, let me say this: Our judgment is that we have a civil defense program now that is both practical and sensible. It does not claim to do more than it can, but it can do a lot in saving lives in the event of a nuclear attack.

As you know, the basis of the program is the shelter program. I think "shelter" is probably the wrong term, as it is often misunderstood. We are not talking about holes in the ground, as you are well aware, but we are talking about locations in buildings, the majority of which are above ground, where people would be protected from radiation in the event of an attack.

The major part of the program which we have been conducting for the past 2½ years has been the shelter survey, and we have to date located 130 million spaces where people could go and be protected against the effects of radiation in the event of an attack.

### Life Saving Potential of Shelters

To give you some idea of this resource, our study shows in a population attack against the United States—that would be an attack calculated to kill people—the use of these present 130 million spaces would save approximately 25 million people who otherwise would be killed by radiation effects.

Mr. Thomas. How can you make a flat statement like that? You have these computers working and it is far better than working on a crossword puzzle, but how can you make a flat statement like that?

Mr. DURKEE. I did not intend to make a flat statement. In some way or another you have to make some calculations of what might happen in the event of an attack on the country, and this is the best way we can do it. I cannot tell you there would be 25 million people saved, but I can tell you it would be in that range. There is no question that barrier shielding exists in these buildings thereby protecting people from radiation. In an attack, not against population, but against military tragets such as missile sites, the only effect on population centers would be from radiation, not from the direct effects of the attack.

Mr. GIAIMO. Will the gentleman yield?

Mr. THOMAS. Sure.

Mr. GIAIMO. When you talk about 25 million people saved you would be starting with a base of the number killed?

Mr. DURKEE. Yes, we would be starting from a base of about 144 million people killed without any protection at all.

Mr. GIAIMO. And if you have this protection you can save 25 million?

Mr. DURKEE. With the existing spaces as they now exist. With fallout protection for the entire population our calculation is that close to 50 million people would be saved.

FALLOUT PROTECTION IN EXISTING FACILITIES

I want to get across the idea, if I can, that fallout shelter protection is something practical. It can be achieved without spending a great deal of money if it is incorporated in the design of conventional buildings by knowledgeable architects and consulting engineers. We estimate, based on the survey programs we have now, that by 1970 we will have found 217 million spaces in existing structures. The cost of locating those spaces will be about $1 per space.

Mr. GIAIMO. Is there shielding in these buildings?

Mr. DURKEE. No special shielding. Just the natural and inherent shielding resulting from the construction materials used in the buildings. In 1958 the National Academy of Sciences determined that you could shield yourself against this radiation. It can be done by a special lead shield such as is used by an X-ray technician, but this is not necessary. Ordinary construction materials in a building, if carefully selected and placed, will suffice. It is the mass of material between you and the radiation and the distance from the radiation that provides the shielding.

In the last 2 years we called in an industry advisory committee comprised of representatives from American Institute of Architects, National Society of Professional Engineers, American Institute of Planners, American Society for Civil Engineers, Consulting Engineers Council, Engineers Joint Council, Associated General Contractors of America, Inc.——

Mr. THOMAS. Let me interrupt you there. You are not talking about bomb blasts?

Mr. DURKEE. That is right. I am only talking about radiation protection—fallout shelters.

We asked these architects and engineers:

**If you were designing a building and you knew you wanted to protect people against radiation, could you do it to maximize the shelter protection and could you do it at no cost or low cost or a combination of both?**

These 130 million spaces I have talked about are there; they were not put in intentionally; it is a happenstance.

These architects and engineers came back and said it can be done, and I have a brochure in which are examples of shelters actually included in new buildings constructed at little or no cost from designs by these engineers and architects who have studied the problem. We have trained more than 7,000 practicing architects and engineers in these techniques, with the cooperation of the American Institute of Architects and the engineering professional societies. We have 130 courses around the country at the present time with 2,600 more people learning how to do that.

Mr. THOMAS. At a cost of how much?

Mr. DURKEE. The total is $1.1 million. It works out at about $93 an architect or engineer.

Mr. THOMAS. How many universities are involved, 28?

Mr. DURKEE. Actually, there are now more than 90. There were 28 during our first year under the Department of Defense. These are the professional faculties of those universities.

SURVEY OF HOMES

Mr. THOMAS. You are starting on a new program on homes. That is the most sensible one I have seen.

Mr. DURKEE. That is right.

Mr. THOMAS. If you have a bombing at night 90 percent of the people will be at home but in the daytime they will be working and the children will be in school. I do not know how you will get them in shelters, but if you survey the homes you will come back for X dollars to do shielding and something here and there and before you are finished it will be $50 or $100 or $200 a house, so you are embarking on another tremendous expenditure.

Mr. DURKEE. Let me tell you what my judgment is about what we are doing. If we get the funds to extend the survey and embark on the analysis of homes just as we have done in the larger buildings, we will end up by the year 1970 with 217 million spaces. In our judgment this means that about three-fourths or four-fifths of the people will be covered through this existing shelter space program at a cost of $1 per shelter space.

Mr. THOMAS. Where do you get that $1?

Mr. DURKEE. $1 is what it costs to survey and get that space.

Mr. THOMAS. But that will not be your total cost?

Mr. DURKEE. No. The total cost of doing that will be about $1.4 billion. We have already spent about $600 million.

Mr. THOMAS. What is the estimated cost for fixing up the homes?

Mr. DURKEE. The estimated cost of the survey is $21 million. That is not, Mr. Chairman, for "fixing up" the homes.

Mr. THOMAS. You do not have to make a contribution on a 50–50 basis. It probably will be a 100 percent Federal cost. So you will not do it at that cost. That is my own judgment.

Mr. DURKEE. I do not know at this time what the best ways will be to create shelter protection for that one-fifth or one-fourth of the population.

Let me make the record clear. We are not proposing, now, any shelter construction in homes.

Mr. THOMAS. I understand that. That will be next year.

FALLOUT PROTECTION INCLUDED IN BUILDINGS

Mr. DURKEE. Let me also make clear that the real significance of this brochure and what the architects have done is not so much that they have put shelters in buildings, but the fact they have done it without changing the structure of the buildings and at little or no cost.

Mr. THOMAS. They all set up an expense of about 5 percent additional of the cost of the building, do they not?

Mr. DURKEE. Let me read to you some of the actual shelter costs.

Mr. THOMAS. I am telling you about the estimates we have had.

Mr. DURKEE. When we started this program 3 years ago nobody had any real experience in how to achieve shelter. We knew there was shelter inherent in buildings, and that it was put there at no cost. Nobody knew it was there. The question was posed to the architects because it is an architectural and engineering problem. They said, "Yes, we can solve the problem of incorporating shelter space" and they have solved the problem.

If you are at all interested, I have the highlights of the kinds of techniques, showing you what the architects and engineers do about it.

Mr. THOMAS. We talk about it about a dozen times a year, but if you have anything new let us have it.

Mr. DURKEE. I have copies of this brochure entitled "Highlights of the Architect and Engineer Activities in Shelter Development" if it would help you to look at it. On the first page are the basic concepts of protection. It tells you how radiation actually acts and how you can deal with it. Let me turn to some specific examples of the kind of things that have been done and why they did not cost very much.

On page 8, you will see a sort of spyglass at the bottom of the page and you will see in this school the entrance is coterminal to the corridor of the school. If you will look at the top of the page you will see if they had shifted the entrance slightly, you would have the shielding from the stairway. Thus, you have created protection without spending a dime—merely by moving the existing mass of material to shield the people in the corridor.

On the next page, page 9, there are a number of possible choices to be made about the kind of roof mass you have. Illustrated is a kind of roof mass that is a part of normal construction in concrete that gives more protection. The cost is approximately the same. If you use the alternate roof design you get much better protection.

There are a whole series of things like this, including the placement of the roof. If you overhang the roof a few feet farther it also reduces the radiation. If you use a planter box, it cuts down the radiation. Planter boxes are a little additional expense but a lot of planter boxes are put up as a part of the cost of the building for esthetic purposes and it also shields against radiation.

There is a list of these techniques in the budget which I would be glad to go through with you.

Mr. GIAIMO. Do I understand you can only suggest that these things be done? You cannot order that they be done?

Mr. DURKEE. Of course not.

Mr. GIAIMO. It is voluntary?

Mr. DURKEE. It is voluntary in a sense that where these techniques have been used in a building the architect had been trained and when he designed them he made no structural change in the building and was equipped to do it as a matter of course. Anything extra than this is purely accidental.

Mr. GIAIMO. And you work with the architectural societies trying to get them civil defense minded?

Mr. DURKEE. We not only work with them to get them civil defense minded, but the American Institute of Architects, the American Society of Civil Engineers, the National Society of Professional Engineers, and 10 other societies all cooperate in working on this problem. Let me read the statement of John McLeod, a distinguished architect, who is currently cochairman of the Advisory Committee on the Design and Construction of Public Fallout Shelters. If I could read this for the record, and I quote:

> I am convinced that some shielding can be achieved in modern building design at no sacrifice to appearance or function and without increasing the construction cost. For a modest cost increase a greater degree of fallout protection and a larger shelter capacity can be provided.
>
> The previous concepts of massive aboveground or underground shelters for adequate protection have been erased by knowledgeable architects and their consulting engineers who have solved the basic problem of intergrating shelter early in the conceptual design of their projects without any adverse effects.

To carry out the work that has been done by these professional engineers and architects we are training and have trained something over 7,000 practicing architects and engineers in these techniques and we have presently in classes 2,600 throughout the country in 130 courses.

We have a number of examples of industrial concerns that are maximizing shelters in the buildings they are building, through the knowledge of their architects and engineers. A number of industrial firms are now utilizing the shelters in their buildings. For instance, the Mountain States Telephone & Telegraph Co. consciously put fallout shelters in all their new buildings and many other companies are doing it. These companies are also training radiological monitors. I have a list of corporatewide operations with instructions to workers as to where to go, where their shelter is.

I do not want to say this has gotten to be a thing anybody demands in the country. They do not. People are not really apathetic; all our studies show they will accept this kind of program, but they do not press for it. Many companies are finding it is good personnel and public relations policy to have this kind of program in their companies.

I have a brochure of the Marshall Field Co. in Chicago.

### CIVIL DEFENSE PROGRAMS OF OTHER COUNTRIES

Mr. THOMAS. What are England and France and Germany doing about civil defense?

Mr. DURKEE. Let me start nearer at home.

Mr. THOMAS. At the time I was there they were about as much interested in that as jumping out the window.

Mr. DURKEE. I think they have had the same conceptional difficulties we have had in this country, defining what you can do and what you cannot do.

Canada is embarking on a nationwide fallout shelter program in which they are taking advantage of our techniques.

The Australians are embarking on a fallout shelter program and we trained their shelter analysts.

The United Kingdom is not moving aggressively but has made shelter surveys and apparently they intend to continue their surveys to locate shelter spaces.

Mr. THOMAS. What is France doing?

Mr. DURKEE. To my knowledge, France is not doing anything.

Mr. THOMAS. And Germany is not doing anything?

Mr. DURKEE. Yes. Germany is at the point where they are making a final decision in the Bundstag on the program. The issue is whether they should have a blast shelter program or a fallout shelter program.

Mr. THOMAS. So far they have not turned a wheel?

Mr. DURKEE. No.

Mr. THOMAS. What is Japan doing?

Mr. DURKEE. I do not think they are doing anything, as far as I know.

Mr. THOMAS. Go ahead.

Mr. DURKEE. In all of these countries there is what you might call civil defense because they are still highly organized as a result of World War II. They have cadres of firefighters and rescue workers. I understand under the French law a conscript has a choice of going into a civil defense battalion or a regular army battalion.

In Switzerland there is a compulsory civil defense program, also in Sweden and Norway. There is one in Denmark. So I would say there is a progression of civil defense programs. The NATO Council passed a resolution for shelter protection for people.

The Russians have a similar program. Their statements very clearly indicate they are talking about the same kind of program we are, that is, using existing buildings for the protection of the people. They have a compulsory 19-hour training program for their people and also have a highly organized World War II apparatus.

### SHELTER PROGRAM OBJECTIVES

So I would like to leave you with the thought that there are some things in this program that make sense, and that there is an end to it, it has a goal. I cannot, however, at this time tell you exactly how much it would cost, or what the means are, to provide shelter for the remaining one-fifth or one-fourth of the people.

There are a certain number of things that could be done even in a home during the last few minutes that would protect against radiation. For example, if you are in a home and happen to be a very industrious person you could take books and build a shelter that would provide some protection. We do not recommend this kind of last-minute expedient approach because it is too haphazard, and we are getting a response to our coherent program.

Mr. THOMAS. You had better go to some of the other parts of your program. You have made a pretty good statement but you are beginning to repeat yourself.

Mr. DURKEE. I am sorry if I am beginning to repeat, but I would like to make one other statement. With respect to these 130 million spaces we have now in existing buildings, we are getting a license from the building owners.

Mr. THOMAS. You are talking about public buildings?

Mr. DURKEE. I am talking about public shelter space in both public and private buildings now. We currently have licensed 71 million spaces and we have stocked over 30 million spaces.

A building owner does something when he allows this to be done, and almost every building owner approached has allowed his building to be so used. Only 13 percent have refused. That includes only 2 percent that have refused because they were against civil defense. So when you ask somebody to do something specific in regard to civil defense, in our experience you get response and you get action.

Mr. GIAIMO. For how long must the shelters be stocked?

Mr. DURKEE. The stocks have a minimum shelf life of at least 5 years but will actually last 10 years or more.

Mr. THOMAS. Go ahead.

Mr. DURKEE. I do not want to leave the impression that there is more acceptance than there is. There is still dispute and controversy.

Mr. THOMAS. You have been very frank and very sincere.

Mr. DURKEE. On the budget, Mr. Chairman, I can give you some general ideas of what it does and what it does not do.

### OPERATION AND MAINTENANCE

In the "Operation and maintenance" portion of the budget we are requesting $79.2 million. This is an increase of $4.2 million over last year's appropriation; $3.5 million of that $4.2 million is for financial assistance to States and local governments. So that in general the appropriation has held about the same.

### FINANCIAL ASSISTANCE PERSONNEL

Mr. THOMAS. You are taking care of the City Hall boys to the extent of about $18.5 million. They are the boys who keep the pot boiling and without them the program will fall flat on its face. What do they do? What are their salaries? Where are the green sheets? I know some of them.

Mr. DURKEE. Some are good and some are bad, Mr. Chairman.

Mr. THOMAS. Most of them never had it so good. What are their jobs? They go around and keep the pot boiling, talking civil defense. What do they do except that?

Mr. DURKEE. Stir up trouble?

Mr. THOMAS. Yes, stir up trouble. That is it exactly.

Mr. DURKEE. I have a list of things we ask them to do.

Mr. THOMAS. Tell us what they do besides write letters and talk civil defense.

Mr. DURKEE. All right. Here are one, two, three, four, five, six——

Mr. THOMAS. Just tell us what do they do for their money?

Mr. DURKEE. The first thing they have to do is do something about the shelter program. I am a city director in city X, and let us say the shelter survey showed we have 700 or 800 buildings in the town that have shelter space. They have a diagram of the building showing where that space is. That man has to go to the building owner and tell him why civil defense is important and explain what he is asking him to do. He says to the building owner, "I want you to allow me to mark this building, I would like to put supplies in the building, and I will ask you to sign a license to authorize this."

Mr. THOMAS. That will take him a full year to do that and then next year it will be the same thing. How many hours are they supposed to work a week?

Mr. DURKEE. They have obtained 78,000 of these licenses now, Mr. Chairman. You are a building owner and you put these local civil defense directors through the hoops before you sign. The man has to know the program and know the answers. These activities have produced 78,000 licenses with building owners. So that is one thing they do.

Mr. THOMAS. You have 6,000 of them. You have had them on the payroll for years. They must wear out a lot of crossword puzzles.

Mr. DURKEE. If they are wearing out crossword puzzles they will be taken off the payroll.

Mr. THOMAS. How many shelters have they marked per person in 4 years?

Mr. DURKEE. There are 5,321 employees as of February 1, 1965. The average salary is about $4,400. That is equal to about a GS–4.4. Those 5,000 people have in these past years been responsible for the marking of 86,000 buildings.

Mr. THOMAS. You are going up. You said 78,000 a while ago.

Mr. DURKEE. No, I said 78,000 were licensed. We have more buildings marked than licensed. Some building owners will say, "Go ahead and mark the building but I have to deal with my lawyer before I sign the license."

Mr. THOMAS. How many is that a year? They are working overtime. That is about four buildings per man per year.

Mr. DURKEE. Further, he has to establish an operations plan. He has to train radiological monitors and take care of radiological equipment.

Mr. THOMAS. Where is this radiological equipment? Does anybody know where it is located, what States it is in?

Mr. DURKEE. Yes, sir.

SHELTER SUPPLIES

Mr. THOMAS. I think your tables show $160 million has been spent for stocking. I will bet you could not put your finger on one-tenth of it. Nobody is responsible for it. If you wanted to find it you could not find half of it with a search warrant.

Mr. DURKEE. Mr. Chairman, you know I would not say I could find it if I did not think I could. The person who signs this requisition for supplies represents the local government and he takes title to those supplies. We have set up an inspection system for the supplies in shel-

ters and the total loss in supplies reported to us is about $22,000 out of $71 million worth in shelters.

Mr. THOMAS. How do you know that? What inventory do you keep?

Mr. DURKEE. We have an exact inventory of supplies, sir.

Mr. THOMAS. Off the record.

(Discussion off the record.)

LIGHTING FOR SHELTERS

Mr. MINSHALL. How do you find these supplies? You go down in the shelter and it is dark. How do you find these supplies in the dark? Have you made any arrangements to take care of that?

Mr. DURKEE. If you are not killed by the direct effects it is likely that the power that supplies the lights will be on.

Mr. MINSHALL. Will be on?

Mr. DURKEE. Will be on.

Mr. MINSHALL. Were you in World War II?

Mr. DURKEE. Yes.

Mr. MINSHALL. The first thing that goes out in any city in any kind of an attack is the lights and water.

Mr. DURKEE. You are talking about the direct effects of attacks.

Mr. MINSHALL. Yes.

Mr. DURKEE. This program does not deal with direct attacks.

Mr. MINSHALL. You do not think you will have anything but direct attacks in the city of Washington, do you?

Mr. DURKEE. I do not know where you will have the attack, Mr. Congressman. If you are not subject to direct effects the power probably will be on. In an attack about 75 percent of the geographical area will suffer from the effects of fallout radiation only. So if you are in a building, the building will be exactly the same as the building was before. If the electric services fail—and let us say there is a complicated and interconnected power system so that if you knock out one generating plant you knock out the others—you have two choices. One is to be in the dark.

Mr. MINSHALL. That is where we are now.

Mr. DURKEE. And you might well be in the dark, but 70 percent of the spaces in buildings that exist are above ground, so you are not in the dark during the daylight hours even without electricity. We had to make a choice whether to request funds for emergency generators for the purpose of providing lights in those basements where it would be dark, and our judgment at this point is that the money is better spent elsewhere, that even though those people who would be in the dark in those basements might have a difficult time, the risk is not so great and it is a risk they will have to run.

Mr. MINSHALL. Why go to the expense of an emergency generator when you could get high-power flashlights?

Mr. DURKEE. In most buildings there are already flashlights, candles, and all kinds of things they will count on for illumination. We count on those being used.

Mr. THOMAS. Where did you get that idea? I have not seen a flashlight or a candle in any building I have been in.

Mr. DURKEE. That is the risk you will run. I calculate people have enough ingenuity to provide themselves with enough light.

Mr. JONAS. The program you are now talking about is not designed to protect against blast or direct attack but only against shifting fallout?

Mr. DURKEE. That is right. The fallout goes up in a cloud and starts coming down about 30 minutes after the bomb bursts, and it can spread, depending on the velocity of the wind, over an area of thousands of square miles.

Mr. JONAS. Off the record.

(Discussion off the record.)

Mr. MINSHALL. Off the record.

(Discussion off the record.)

Mr. THOMAS. You had better spend some of your time now on other parts of your budget.

Mr. DURKEE. All right, sir.

I just got through saying the "Operation and maintenance" appropriation is about the same as last year and that the major increases being requested are in the "Shelter, construction and research and development" appropriation.

Mr. Chairman, I will deal in any fashion you like, either go through the book——

Mr. THOMAS. Go ahead any way you want to.

Mr. DURKEE. Let me deal with the shelter part of it.

Mr. THOMAS. You spent 45 minutes on shelters. I think we have had enough on shelters.

Mr. DURKEE. Let us deal with "Operation and maintenance."

WARNING

First is the item on warning. We are not asking for an increase in the warning system this year. For fallout protection for warning points, we are asking $900,000.

Mr. JONAS. What about your little black boxes?

Mr. DURKEE. We are not asking for any money this year for the NEAR program which has the little black boxes. This year we are conducting final tests using moneys appropriated during fiscal year 1964.

Mr. JONAS. Do you have any in place?

Mr. DURKEE. Yes. We have some in a test in Michigan. This is a test of the NEAR system that we discussed last year.

Mr. THOMAS. What did you spend on the little black boxes program?

Mr. DURKEE. $8.5 million.

Mr. THOMAS. Did that include the research?

Mr. DURKEE. That included the research. Those were the total developmental costs.

Mr. THOMAS. There is one thing about it, Mr. Jonas, the older a program gets the less you spend on it. Some costs have gone down 66 percent.

Mr. DURKEE. I hope your comment was not one of skepticism but of pleasure, because that is what is happening.

Mr. THOMAS. I wonder why we made that serious error to begin with.

Mr. DURKEE. It may not have been a serious error. The reason the NEAR system was developed was because the radio warning system was not available.

STATUS OF WARNING SYSTEM

Mr. THOMAS. What is your warning system today and how effective is it?

Mr. DURKEE. The warning system consists of 800-some warning points around the country.

Mr. THOMAS. Start at the beginning.

Mr. DURKEE. The major warning center is the North American Air Defense Command. We have OCD personnel on constant duty there. This warning center is connected with 800-some points around the country.

Mr. JONAS. Connected by what?

Mr. DURKEE. By land line. The time it takes for a message to get from that warning center at NORAD to those 800 warning points is between 30 seconds and 2 minutes.

Mr. THOMAS. When he talks to one he talks to all.

Mr. DURKEE. Yes. It is a two-way system.

Mr. THOMAS. What is next?

Mr. DURKEE. Then by various systems, bell and light systems, telecommunications systems, it goes to various apparatus in the city.

Mr. THOMAS. You have to spell that out step by step.

Mr. DURKEE. All right. Many of the warning points are located, for example, in the highway police office or the chief police office of a particular city, so when the warning comes from NORAD the official knows it and he sends the signal out to sound the siren.

Mr. GIAIMO. The official of the city?

Mr. DURKEE. Yes.

Mr. THOMAS. What are the main items or gadgets to notify the citizens?

Mr. DURKEE. Outdoor sirens at the moment.

Mr. THOMAS. What use are you making of the radio?

Mr. DURKEE. The radio is used not as a warning system but for emergency broadcasts. At the same time an air defense warning is declared by NORAD a system is triggered that leaves some stations on the air and takes others off.

Mr. THOMAS. How do you pick them out?

Mr. DURKEE. That is a technical problem in the purview of the Federal Communications Commission.

Mr. THOMAS. You have spent some money on that.

Mr. DURKEE. We have spent some money in providing fallout protection for 530 selected stations, to protect the personnel and to insure the operation of those stations. In an attack, 75 percent of the land area would be covered by radioactive fallout, so the personnel would have to be protected. The total cost would be $10 million.

WARNING PROCEDURE

Mr. JONAS. So that we can get a real picture for the record, NORAD finds out that an attack is impending. Your man is notified and he

picks up an instrument and is in immediate contact with 800-some people all over the United States?

Mr. DURKEE. That is right.

Mr. JONAS. Warning points, is that what you call them?

Mr. DURKEE. Yes.

Mr. JONAS. I live in a small town 30 miles from Charlotte, N.C. What are the steps taken to get the warning to my town?

Mr. DURKEE. Your town may be warned by telephone.

Mr. JONAS. Who will telephone?

Mr. DURKEE. The State highway police might well be linked in by communication with your own police and get it by radio.

Mr. JONAS. In some places you use the State patrol system and in other places you use another system. There is no coordinated system worked out to warn the entire country. That is, you cannot warn rural areas very well but you can warn organized communities. I thought you might have a regular prearranged system that would be operative throughout the United States.

Mr. DURKEE. The purpose of the warning system which we are doing the work on is to provide a uniform system throughout the United States.

Mr. JONAS. If you leave it up to the man who gets the message from NORAD, he might use his own ideas, but he has to have some way of getting the warning to everybody at one time. He cannot pick up the telephone and call 500 towns.

SIRENS

Mr. THOMAS. Will you yield? I was reared in a small town and know something about it and the most effective way we had of alerting people was the fire siren. You should have one in every town. Do you have that?

Mr. DURKEE. We calculate the sirens in existence for which we have matched funds would cover about 36 million of the total population.

Mr. THOMAS. How many sirens do you have?

Mr. DURKEE. About 2,000 cities have sirens in them for which we have matched funds. Of course almost every town has sirens for fire warning.

Mr. THOMAS. Do you have a population criterion to go on? The most effective thing in a small town is that siren. In a city like Washington or New York if you had 200 sirens they would not pay as much attention to it.

Mr. DURKEE. The sound is good. The main difficulty is confusion; that is, confusing the civil defense siren signal with a fire siren. People who hear sirens all the time tend to disregard siren sounds.

RADIO WARNING SYSTEM

Mr. THOMAS. What is a better method of alerting them? Your black box did not work.

Mr. DURKEE. The black box would work, Mr. Chairman.

I do not think it is the best system. We think the best system will be a radio warning system that would activate a radio receiver in a person's home.

Mr. THOMAS. Even though the radio set is turned off?

Mr. DURKEE. Even though the radio set is turned off.

Mr. THOMAS. How far along are you with that?

Mr. DURKEE. I have just gotten a recent report and I would say all the technological reports so far show this is feasible and cheaper and I have prototypes of the kind of radio receivers that would be used. We are working with the FCC and the radio broadcasting industry and we have a task force working on it.

Mr. JONAS. That might work in homes but business concerns and factories and commercial establishments do not all have radios.

Mr. DURKEE. A number of them have regular radio services. Also, some companies have done what Marshall Field has done in their building in Chicago. They have a line connected to the national warning system in their own building.

Mr. JONAS. They are, in effect, a warning point?

Mr. DURKEE. A warning point extension.

Mr. GIAIMO. Is this telephonic?

Mr. DURKEE. Yes; telephonic, a land line, A.T. & T. wire. There is an actual linkage in the building that comes from NORAD and they would get the warning in a minute or minute and a half.

Mr. THOMAS. Is there any way to sabotage the big center so that the message cannot get through? Could not that be easily sabotaged?

Mr. DURKEE. There is a redundancy of lines for this system as for telecommunications, and there would be top priority given to circuit rerouting and restoration. I do not know off the top of my head what the extent of the sabotage would have to be before it would be inoperative.

Mr. JONAS. I do not think there would be much trouble getting the information around in a small town if it gets to the town in time. If John Jones runs off with Susie Smith everybody knows about it in 15 minutes.

Mr. DURKEE. You have about 30 minutes before radiation starts coming down. Let us assume many small towns would be so located that the first fallout would not arrive until 2 hours later. They have considerably more time than the 30 minutes and radio communications would bring the news.

Mr. JONAS. Would not that depend on how far the town is from the blast or explosion?

Mr. DURKEE. Yes. That is why I say if you are planning on doing something you had better plan on 30 minutes. You had better not plan on 2 hours because you might not have that time.

People have been thinking of shelters—and we have difficulty with that—as holes in the ground and that you have to go to them. In a daytime attack, the spaces we have would be occupied by the people who are already in the building.

Mr. THOMAS. Judge, you have told us that 19 times already.

Mr. DURKEE. I apologize, Mr. Chairman, for repeating it, but it is an important point.

Mr. THOMAS. We finally got the impression that you think it is important, anyway.

Mr. DURKEE. Thank you, sir. I appreciate that.

HOME SHELTERS

Mr. JONAS. What about the manufacturers of home shelters? Are they out of business or still operating? That program practically died out, did it not?

Mr. DURKEE. That is right. We have an item in the budget for the same kind of analysis of shelter protection in homes that we have applied to these larger buildings. We estimate there are 10 million spaces that already exist in the homes although people do not know they exist. We want to utilize a computer to tell the homeowner where in his house the space is and how many people it will protect. We can apply the same kind of techniques to the homes which are in the process of construction, which is not a shelter in the backyard but it will give the kind of protection we are talking about.

Mr. THOMAS. Well, let us turn to the budget.

SUMMARY OF BUDGET ESTIMATES

Mr. THOMAS. Mr. Reporter, put page 1 in the record.

(The page follows:)

*Fiscal year 1966 budget estimate—Appropriation and budget program summary*

| Appropriation-budget program | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Operation and maintenance: | | | |
| Warning and detection | $5,898,816 | $6,300,000 | $8,000,000 |
| Emergency operations | 25,721,208 | 27,250,000 | 26,100,000 |
| Financial assistance to States | 23,735,049 | 26,950,000 | 30,500,000 |
| Management | 13,929,807 | 14,484,700 | 14,600,000 |
| Total | 69,284,880 | 74,984,700 | 79,200,000 |
| Shelter, construction, and research and development: | | | |
| Shelters | 31,276,248 | 30,578,000 | 100,000,000 |
| Research and development | 11,799,246 | 12,422,000 | 15,000,000 |
| Total obligations | 43,075,494 | 43,000,000 | 115,000,000 |
| Unobligated balance carried forward | +14,289,008 | +1,489,008 | +1,189,008 |
| Unobligated balance brought forward | −16,114,502 | −14,289,008 | −1,489,008 |
| Total budget plan | 41,250,000 | 30,200,000 | 114,700,000 |
| Grand total | 110,534,880 | 105,184,700 | 193,900,000 |

Mr. THOMAS. You have a summary on page 1. Under operation and maintenance you have warning and detection, emergency operations, financial assistance to States, and management, a total of $79,200,000 compared to $74,984,700 last year.

Then for shelter, construction, and research and development you go from $30.2 million last year to $114.7 million for 1966, an increase of what?

Mr. DURKEE. $84.5 million.

ORGANIZATION

Mr. THOMAS. There is a limitation written in your bill not to exceed 1,000 positions. Where is your personnel chart?

Mr. DURKEE. Page 80, Mr. Chairman.

Mr. THOMAS. Take a look at that chart. You have the Director of Civil Defense with 24 positions, the same as last year. You have two GS–18's, two GS–17's, one GS–16, five GS–15's, and two GS–14's.

In your Public Information Office you have 34 positions, and back in the States you have at least 2,000 public information officers and city hall boys.

The Comptroller has 66 positions, the same as last year. There is one GS–17, one GS–16, and about half a dozen GS–15's.

In industrial participation you have 10 positions, the same as last year. What do they do?

Mr. DURKEE. They work directly with industry.

Mr. THOMAS. Technical liaison has five positions. What do they do?

Mr. DURKEE. They work with the National Academy of Sciences and other scientific groups.

MANAGEMENT

Mr. THOMAS. Under Assistant Director for Management you have 92 positions headed by a GS–17. What do these people do?

Mr. DURKEE. In management?

Mr. THOMAS. Yes.

Mr. DURKEE. I have Mr. Holt, Assistant Director for Management, here. He can answer that.

Mr. HOLT. We have the responsibility for the administration, housekeeping, personnel management, contracting, and security for the entire Civil Defense organization, both the headquarters, regions, and the field. In addition to that——

Mr. THOMAS. How many field officers do you have now?

Mr. HOLT. The total regional personnel, sir, at the present time is 444.

Mr. THOMAS. Do you have eight or seven?

Mr. HOLT. Eight regions, sir.

Mr. THOMAS. How many people do you have in those offices?

Mr. HOLT. 444, sir.

Mr. THOMAS. And 92 here?

Mr. HOLT. Yes, sir; considering only the staff assigned to my office. In addition to the other responsibilities——

Mr. THOMAS. How many people do you have in the field offices doing managerial work?

Mr. HOLT. About one per region, sir. There would be about eight, sir, in total.

Mr. THOMAS. What do the others do?

Mr. HOLT. The other people are responsible for the implementation of OCD policy and programs, such as shelter marking, licensing, stocking——

Mr. THOMAS. I thought the city hall boys were doing that.

Mr. HOLT. These are the people in the regions, sir, who coordinate the activities of the States under their jurisdiction.

Mr. THOMAS. You have all chiefs and no Indians here, then. You have 92 chiefs here. Where is the detailed breakdown of this office? This is a summary. Where is the green sheet on it? How many do you have in supply and commodities?

Mr. HOLT. Thirty-three, sir.

Mr. THOMAS. What do they do?

Mr. HOLT. These are the people who are responsible for determining material requirements and actually procuring——

Mr. THOMAS. You mean these are the boys behind the stockpiling of the biscuits, the cans, and all those supplies?

Mr. HOLT. That is correct, sir. In addition to that, they contract with the States for research and also contract with universities on our training and education program.

Mr. THOMAS. What about your procurement officers. How many do you have in that?

Mr. HOLT. There are 17.

Mr. THOMAS. What do they do?

Mr. HOLT. They are part of the 33 in materiel. These are the people who actually do the contract negotiation and the contract administration.

Mr. THOMAS. Have you any green sheets with a detailed breakdown on all of these people? You give us a summary, which does not mean much. It looks to me as if you could cut down your 1,000 to 500 and do your job here.

POLICY AND PROGRAMS—COMPUTER OPERATIONS

What about Assistant Director for Policy and Programs? What do they do? You have 37 in there.

Mr. DURKEE. May I speak to that?

Mr. THOMAS. Surely.

Mr. DURKEE. This is the office that determines basic policy and works directly with the rest of the Department of Defense on the damage studies of the kinds that I spoke about earlier.

Mr. THOMAS. Is this the crowd that uses the computer?

Mr. DURKEE. They use the computer and work with the rest of the Department of Defense.

Mr. THOMAS. Have you any detailed breakdown of this? How many do you have in the Computer System Office?

Mr. DURKEE. One division, six people. The Corps of Engineers actually runs the computer for us.

Mr. THOMAS. What does that cost you? You spent about $350,000 or $400,000 for equipment last year. What are you paying the Corps of Engineers?

Mr. DURKEE. About $1 million.

Mr. THOMAS. Was it $1 million or $100,000?

Mr. DURKEE. It is $1 million for next year.

Mr. THOMAS. You have 37 people doing that and are paying the Corps of Engineers another million dollars on top of it?

Mr. DURKEE. No, sir, they are not doing just that.

Mr. THOMAS. What else are they doing?

Mr. DURKEE. These are the people who determine what the computer will do, what it should study and why it should study it.

Mr. THOMAS. What is the Corps of Engineers doing for $1 million?

Mr. DURKEE. This provides for the actual operation of the computer facility.

Mr. THOMAS. Out of that million dollars do they pay maintenance and repair costs?

Mr. DURKEE. Yes, sir. For the computer itself as well as the facility.

Mr. THOMAS. They are the operators of the machines and take care of the maintenance?

Mr. DURKEE. That is right.

Mr. THOMAS. Then you have 37 people here doing the brain-trusting work, is that it?

Mr. DURKEE. That is correct. These people who are indicated as digital computer systems——

Mr. THOMAS. What do those 37 people do 5 days a week in that field?

Mr. DURKEE. I have the Director of Policy and Programs here, and I will be glad to have him speak to the point.

Mr. THOMAS. Tell us what they do 5 days a week. The next day do they run another set of facts?

Mr. ROMM. There are only six people engaged in directing the actual computer operations. There are an additional seven people involved in analysis of the computer output. In addition to that, we have a small National Plans Division and a Program Division in my office. This latter Division ties the OCD program into the 5-year program structure in the Department of Defense.

Mr. THOMAS. Under Assistant Director for Research you have 39. Do you have your green sheets on these? Staff Director, Support Systems Research. What does that mean?

Mr. DURKEE. I have Mr. Strope here, Mr. Chairman.

Mr. THOMAS. We have not heard from you in a long time, Mr. Strope. What are you doing with 39 people in there? You have an economist general there. How many does he have in his operation?

Mr. STROPE. He is my only economist.

Mr. THOMAS. Does he not have an assistant?

Mr. STROPE. No.

Mr. THOMAS. You ought to have one for him. The man must be overworked. What is he economizing on?

Mr. STROPE. He is in charge of the area of the program that has to do with economics. He has responsibility for the statement of the scope of the work and the following of the work to make sure that the work is done properly and to review the final reports.

Mr. THOMAS. Where are your housekeeping activities here?

HOUSEKEEPING ACTIVITIES

Mr. HOLT. The housekeeping activities are under "Management," sir.

Mr. THOMAS. Assistant Director for Management?

Mr. HOLT. Yes, sir.

Mr. THOMAS. How many do you have in there out of the 92 doing housekeeping work?

Mr. HOLT. There are 25, sir.

Mr. THOMAS. What do they do now?

Mr. HOLT. These are the people who take care of the printing and publication, records management, correspondence control, travel and property management, the ordinary housekeeping that provides the organization services.

INCREASE IN PRINTING AND REPRODUCTION

Mr. THOMAS. What is your printing bill this year?

Mr. HOLT. For 1965, sir, it was $2.9 million. That is the overall printing bill for both appropriations.

Mr. DURKEE. That is pulling the printing bill together for the whole program.

Mr. THOMAS. Where is your consolidated other objects? Is it in here? It is not in my book.

Mr. MCKINNEY. It is there by budget project.

Mr. THOMAS. Do you have a consolidated table here for other objects? I do not find it. What is your total printing bill?

Mr. HOLT. $2.9 million for the entire organization.

Mr. THOMAS. For what year?

Mr. HOLT. 1965.

Mr. THOMAS. What was it in 1964?

Mr. HOLT. It was $1.5 million in 1964 for the entire agency.

Mr. THOMAS. You mean you are up $1.4 million this year?

Mr. HOLT. Yes, sir.

Mr. THOMAS. What was it in 1964?

Mr. HOLT. In 1964 it was $1.5 million.

Mr. THOMAS. In 1965 it is what?

Mr. HOLT. $2.9 million.

Mr. THOMAS. What is it for 1966?

Mr. HOLT. In 1966 it is estimated for $5.1 million.

Mr. THOMAS. What in the world can you do for $5 million? You swamp everyone to death. You print that stuff and send it out by the carload. No one pays it any mind. How many publications are you printing?

Mr. DURKEE. Let me speak to that new figure, Mr. Chairman. The new figure is largely made up of printing for the home survey that I spoke to you about a minute before.

NUMBER AND COST OF PUBLICATIONS

Mr. THOMAS. How many different publications are you printing, and how many each? Set them out in the record at this point.

Mr. DURKEE. All right.

Mr. THOMAS. At a cost of how much.

Mr. DURKEE. We are now talking about the printing for both training and public information?

Mr. THOMAS. All your entire printing bill, printing and reproduction.

Mr. DURKEE. I will be glad to submit that for the record, Mr. Chairman.

(The information supplied follows:)

OFFICE OF CIVIL DEFENSE

*Printing and reproduction budget estimates*

[In thousands of dollars]

| | Fiscal year 1964 | Fiscal year 1965 | Fiscal year 1966 |
|---|---|---|---|
| 1. Training materials: Training packages for use in conducting specific civil defense training courses | 101 | 245 | 375 |
| 2. Public information: General public information and education releases, technical and professional manuals and publications | 1,344 | 2,325 | 2,534 |
| 3. Single family home survey: Printing questionnaires, instruction sheet, envelopes, and return packets of civil defense emergency instruction material for use of homeowners | ---------- | 246 | 2,138 |
| 4. Administrative printing: Regulations and communications for internal OCD management, statistical reports, stationery, blank forms, etc | 70 | 72 | 72 |
| Total | 1,515 | 2,888 | 5,119 |

Mr. THOMAS. For this year it is how much?

Mr. HOLT. $2.9 million, sir.

Mr. THOMAS. And for 1966 it is what?

Mr. HOLT. It is estimated at $5.1 million, sir, but that covers the special project which Mr. Durkee is about to describe.

Mr. THOMAS. That is a $2 million increase, 40 percent over last year.

Mr. DURKEE. That is right.

Mr. THOMAS. How many publications are you going to print for that?

Mr. DURKEE. Certainly no more than the publications we have printed this year, except for this item.

Mr. THOMAS. How many different publications and how many copies each are you printing?

Mr. DURKEE. We have a complete list for fiscal year 1964.

Mr. THOMAS. Put it in the record.

(The information supplied follows:)

*Civil defense publications program, fiscal year 1964*

| Type of publication | Number of line items | | | | Number of copies | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance, July 1, 1963 | Withdrawn during fiscal year 1964 | Added during fiscal year 1964 | Balance, June 30, 1964 | Balance, July 1, 1963 | Receipts from procurement | Issued (including adjustment) | Balance, June 30, 1964 |
| Administrative issuances: | | | | | | | | |
| Reports (annual, statistical, etc.) | 6 | 0 | 3 | 9 | 3,430 | 22,300 | 6,593 | 19,137 |
| Administrative manuals | 6 | 6 | 0 | 0 | 9,068 | 0 | 9,068 | 0 |
| OCD instructions | 28 | 10 | 45 | 63 | 59,163 | 159,335 | 161,240 | 57,258 |
| Federal Civil Defense Guide and related publications: | | | | | | | | |
| Federal Civil Defense Guide | 3 | 1 | 30 | 32 | 26,517 | 1,096,000 | 889,087 | 233,430 |
| Publications keyed to Civil Defense Guide | 6 | 3 | 21 | 24 | 694,445 | 1,269,000 | 411,942 | 1,551,503 |
| Public issuances: | | | | | | | | |
| Handbooks | 5 | 0 | 2 | 7 | 10,596,667 | 5,200,000 | 4,951,702 | 10,844,965 |
| Leaflets | 3 | 0 | 0 | 3 | 2,572,918 | 0 | 994,067 | 1,578,851 |
| Miscellaneous | 10 | 8 | 10 | 12 | 2,474,004 | 2,015,900 | 2,492,849 | 1,997,055 |
| Informational and educational: | | | | | | | | |
| Displays | 0 | 0 | 3 | 3 | 0 | 35,000 | 31,926 | 3,074 |
| Information bulletins | 33 | 49 | 49 | 33 | 345,298 | 1,513,400 | 1,548,284 | 310,414 |
| Kits | 10 | 5 | 10 | 15 | 111,651 | 493,699 | 456,530 | 148,820 |
| Newspaper mats | 0 | 0 | 3 | 3 | 0 | 110,200 | 80,079 | 30,121 |
| Posters | 4 | 1 | 3 | 6 | 13,562 | 385,500 | 312,726 | 86,336 |
| Program guides | 1 | 0 | 0 | 1 | 815 | 30,000 | 24,304 | 6,511 |
| Industrial civil defense publications | 42 | 21 | 4 | 25 | 525,117 | 295,150 | 496,766 | 323,501 |
| Training publications: | | | | | | | | |
| Instructor's guides | 9 | 5 | 4 | 8 | 149,137 | 57,000 | 163,059 | 43,078 |
| Training packages | 2 | 0 | 0 | 2 | 8,998 | 0 | 2,411 | 6,587 |
| Student manuals | 5 | 0 | 4 | 9 | 700,496 | 640,000 | 459,735 | 880,761 |
| Technical publications: | | | | | | | | |
| Shelter design series | 11 | 1 | 5 | 15 | 25,479 | 76,315 | 69,179 | 32,615 |
| Professional guides | 3 | 0 | 2 | 5 | 9,921 | 57,800 | 48,855 | 18,866 |
| Shelter drawings | 15 | 15 | 0 | 0 | 41,832 | 0 | 41,832 | 0 |
| Technical bulletins | 19 | 5 | 0 | 14 | 142,431 | 3,430 | 43,456 | 102,405 |
| Technical manuals | 2 | 1 | 0 | 1 | 5,360 | 0 | 1,404 | 3,956 |
| Technical memos | 10 | 3 | 3 | 10 | 18,023 | 49,500 | 29,275 | 38,248 |
| Technical reports | 7 | 2 | 5 | 10 | 137,757 | 139,200 | 125,448 | 151,509 |
| Miscellaneous publications | 152 | 74 | 57 | 135 | 555,338 | 6,876,007 | 6,215,886 | 1,215,459 |
| Total | 392 | 210 | 263 | 445 | 19,227,427 | 20,524,736 | 20,067,703 | 19,684,460 |

Mr. THOMAS. What is the total of the different publications and how many copies? Do you have the total figure there?

Mr. MCKINNEY. Not the total. We have them listed individually.

Mr. DURKEE. Here is a list for the record, of the index of publications, Mr. Chairman. We have given you the total figures.

Mr. THOMAS. I do not find it in the justifications. Is it in your justifications any place?

Mr. DURKEE. Each section of the budget justifies itself, that part of each activity which requires printing.

Mr. THOMAS. But do you have a wrap-up table where you set forth all the publications and their number?

Mr. DURKEE. I have a publications index which sets them all out.

Mr. THOMAS. That is not part of your budget. That is your secret information. Do you send that out to the public, too?

Mr. DURKEE. Yes. This is available to anybody who asks for it, but it is not sent to the public in general. It is sent to the State civil defense director or the local civil defense director.

Mr. THOMAS. What is your postage bill for 1964, 1965, and 1966?

Mr. HOLT. $90,000 for all mailing costs.

(NOTE.—The following was subsequently supplied for the record:)

This is related to publications and the informational media mailed by our distribution center. This excludes shelter survey mailings.

Mr. THOMAS. What will it be for 1966?

Mr. HOLT. $90,000, sir, which is down quite a bit from the 1964 figure.

Mr. THOMAS. Why?

Mr. HOLT. We have been able to consolidate some of our printing and publications and our forms. We have reduced our publications, deleting 455 obsolete publications during the period January–June 1963 from our list, and are currently——

Mr. THOMAS. How many are you printing if you have deleted 455? How many are you going to print this year?

Mr. HOLT. We will add them up, sir.

Mr. THOMAS. Please.

Mr. DURKEE. I will add them, Mr. Chairman.

Mr. THOMAS. You do not know your lessons. Let us get your lesson down. About how many are there?

(NOTE.—The following was subsequently supplied for the record:)

At end of fiscal year 1964, we had 445 different types of issuances in our publications system. During fiscal year 1964, we printed 20.5 million copies of these publications.

DISTRIBUTION OF PUBLICATIONS

Mr. THOMAS. Who receives these publications? Who is on your mailing list? What do you do with them?

Mr. DURKEE. Let me say, Mr. Chairman, there is no general——

Mr. THOMAS. Do you depend upon the city hall boys to distribute them?

Mr. DURKEE. There is no single mailing list for all publications. The major publication is one which is called the Federal Civil Defense Guide. That goes to all the civil defense directors throughout the country. It goes to the entire Military Establishment. This is the basic publication which spells out the program, with instructions about

the program. It spells out what a program paper must reflect in terms of items to be accomplished and is necessary to be filled in by the requesting political subdivision before we will give a dime of Federal funds.

Mr. THOMAS. How many do you send to the States? Have you a regular mailing list? Do you send them to your regional offices or to the cities or towns and, if so, to whom do you send them?

Mr. DURKEE. Yes.

Mr. THOMAS. Do you send them all to the Members of Congress?

Mr. DURKEE. No, sir. I get out an annual report which is submitted to the President. It is available to the Members of Congress.

Mr. THOMAS. To whom do you send all these publications? We do not have the total number of publications. Can anybody give us a horseback opinion?

Mr. HOLT. I have some data on mailing lists. Prior to our publications review we had 173 mailing lists which covered over 100,000 addressees.

Mr. THOMAS. Who are these addressees?

Mr. HOLT. State and local civil defense directors, industries, regional offices, and some architects and engineers.

Mr. THOMAS. How many do you send to a local civil defense director in Texas?

Mr. HOLT. I was about to explain, Mr. Chairman. We have cut these mailing lists down to 70. We have only 70 in our distribution system at the present time, which is a reduction of 100 over the course of the last year.

Mr. THOMAS. Who are they now? To whom do you send them now?

Mr. HOLT. They go to the regional offices, of which there are eight, sir.

Mr. THOMAS. What do the regional offices do with them?

Mr. HOLT. In most cases these types are administrative or internal policy documents which are for their use in implementing the civil defense program, sir.

Mr. THOMAS. How many different documents do you send to the office in Texas and how many copies of each one?

Mr. DURKEE. You are asking a question which cannot be answered off the top of our head, Mr. Chairman.

Mr. THOMAS. With all the people you have, you ought to have somebody able to justify a $5 million printing bill.

Mr. DURKEE. We are trying to separate out for you the kinds of things they are. If it is an administrative publication issued to the region, it goes down in very few copies. If it is a program paper—we provide these preprinted for the region—it goes down to them in enough copies to distribute further to the State civil defense director and each local director who will fill in a program paper. We had about 4,500 program papers last year, so there would be about 4,500 of these.

Mr. THOMAS. You are not asking for any more employees than you had last year, but you are up 40 percent on your printing and binding bill. I assume from what you said, most of your printing and binding goes to your own employees.

Mr. DURKEE. No, sir.

Mr. THOMAS. How do you justify that?

SINGLE FAMILY HOME SURVEY

Mr. DURKEE. The reason for the increase is this single family home survey of home shelters. This includes this questionnaire to be filled out by the homeowner.

Mr. THOMAS. What will that cost?

Mr. DURKEE. The total cost of doing this is about $2 a shelter space.

Mr. THOMAS. It does not cost $2 to print that.

Mr. DURKEE. No. The printing and mailing of this form—Mr. Read has some detailed figures. In fiscal year 1966, it cost $2.138 million for the printing of that, computer report forms, and return information packets.

Mr. THOMAS. How many are you going to print?

Mr. DURKEE. Overall, we will print enough to reach about 25 million homes. In the first year it will be about one-third—8 or 9 million homes.

Mr. THOMAS. Where is your consolidated travel figure for 1964, 1965, and 1966?

Mr. DURKEE. $700,000 for 1965 and $700,000 for 1966.

Mr. THOMAS. Is that in your justifications?

Mr. DURKEE. Yes.

Mr. THOMAS. Where is it?

Mr. HOLT. On page 78, sir.

COST OF SINGLE FAMILY HOME SURVEY

Mr. MINSHALL. Before you leave that printing item, I would like you to insert in the record, if you do not have it immediately available, just what the unit cost is for one of these mailouts. Break down the cost of sending them to 25 million homes.

Mr. HOLT. I will give you the detailed figures.

Mr. MINSHALL. We would like to have it as soon as possible.

Mr. HOLT. I will have it for you this afternoon.

(The information supplied follows:)

*Evaluation of fallout protection in homes program—Breakdown of unit cost (based on total of 25,000,000 homes to be surveyed in fiscal years 1966, 1967, and 1968)*

| | |
|---|---|
| Printing: | |
| Questionnaire | $535,200 |
| Information booklet, etc | 5,137,920 |
| Specific shelter plans | 385,344 |
| Computer report forms | 356,800 |
| Subtotal | 6,415,264 |
| Mailing: | |
| Postage to send questionnaire | 1,338,000 |
| Return postage on questionnaire | 1,784,000 |
| Postage for booklet and results | 1,784,000 |
| Postage for specific shelter plans | 535,000 |
| Subtotal | 5,441,200 |
| Subtotal (printing and mailing) | [1] 11,856,464 |

[1] Or $.47 per home.

| | |
|---|---|
| Other costs: | |
| Computer and ADP costs | 3,618,000 |
| Tabulation, coding, classificaton, labeling, and stuffing | 5,560,200 |
| Subtotal (supporting costs) | [2] 9,178,200 |
| Grand total | [3] 21,034,664 |

[2] Or $.37 per home.
[3] Or $.84 per home.

We will mail kits to 25 million homes with basements, at a total program cost of $0.84 per home receiving the material. For homes having fallout protection meeting our minimum standard of 40 proteciton factor—i.e., a person thus protected would receive 40 times less radiation than if unprotected—the cost is about $8 per home. It is estimated at least 3 million homes will have the minimum protection. Where a home fails to meet our minimum standards, the homeowner is furnished an evaluation of the protection level already existent and illustrated information as to how his basement can be inexpensively modified to bring its protection factor to 40 or more.

TRAVEL

Mr. THOMAS. On page 78, travel expense is shown as $649,143 for 1964, $700,000 for 1965, and $700,000 for 1966.

Mr. JONAS. $700 a person.

Mr. THOMAS. That is all. How much have you spent for the first 6 months of this fiscal year for travel, or any recent period, whatever you have available?

Mr. RASKIN. $354,000 for travel and $59,000 for vehicle rental from GSA motor pools as of the 28th of February.

Mr. THOMAS. March, April, May, and June remain. There was a carryover of $100,000 or $150,000. Did you have a carryover for 1964 in travel? How much money lapsed for 1964, then?

Mr. JOHNSON. About $1 million for the entire "Operation and Maintenance" appropriation.

Mr. THOMAS. Have you a figure on travel?

Mr. MCKINNEY. Our fiscal year 1965 program is $700,000.

Mr. THOMAS. Where is this travel money spent—in the field or the District of Columbia?

Mr. DURKEE. It is spent principally in the field, Mr. Chairman. The basic purpose of the travel money is for the operational use of people out of our eight regional offices.

Mr. THOMAS. Who travels from the regional offices?

Mr. DURKEE. The majority of the regional personnel.

Mr. THOMAS. I remember one of your regional offices sent out some telegrams which said, "I will arrive in town on a certain day." It was a longwinded telegram and he must have sent out a hundred, and who gave a whoop whether he arrived in town that day. I got one of them.

Mr. DURKEE. Not during my time, you did not get one, Mr. Chairman. There would be a different regional director if he had. The purpose of this travel money——

Mr. THOMAS. It beat anything I ever saw. He said, "I will arrive in town at a certain time. I will be at a certain place." I said, "Who

cares?" He must have sent out 30 or 40 in one town.

Mr. JONAS. That was for you to get the brass band out, was it not?

Mr. DURKEE. May I make a statement about travel?

Mr. THOMAS. I guess he sent all the city hall boys one.

Mr. DURKEE. The purpose of this travel is to have our personnel visit State and local civil defense, local authorities, to explain to them what the program is and how to get it accomplished and to render technical service.

Mr. THOMAS. How many do you have in the Texas office now?

Mr. DURKEE. We have 54.

Mr. THOMAS. Break down your offices by number of personnel you have. You have about 442, I think.

Mr. DURKEE. 444.

Mr. THOMAS. Do you have about 50 per office?

Mr. DURKEE. About 55 per office.

Mr. THOMAS. On the average.

Mr. DURKEE. Yes.

Mr. THOMAS. Who does the travel? How many do you have traveling in that office?

Mr. DURKEE. Of that number of people, about two-thirds of those people in the regional office would travel, and they would travel for specific purposes of working with State and local civil defense directors on their programs. A lot of this is technical. If you talk about communications or a warning system, you must have a trained technician who knows what he is doing and who can help set up the system.

Mr. THOMAS. He is not going to maintain the system?

Mr. DURKEE. He is not maintaining it. He is rendering technical advice and guidance and instructions.

Mr. THOMAS. How often does he do that?

Mr. DURKEE. He has to go all the time on the shelter program or communications or any of the other major programs.

Mr. THOMAS. If he did not have $700,000 of travel money, he would not have to go all the time, would he?

Mr. DURKEE. Let me put it this way, Mr. Chairman. If he did not, I do not believe the program would make any progress at all. He would have to do it all by paper.

Mr. JONAS. Could he not write a letter?

Mr. DURKEE. Yes and he does whenever possible. The Federal Civil Defense Guide explains what the program is.

APPROPRIATION SUMMARY

Mr. THOMAS. Let us go back to page 1 now. Your shelter research and development goes from $12,422,000 to $15 million, and your grand total is up about $88 million.

Mr. DURKEE. Yes, sir.

Mr. THOMAS. Let us take a look at "Operation and maintenance." Gentlemen, may I suggest that the committee turn to the committee print. You have two appropriating paragraphs here. One is on page 32 and the other is on page 36. I suggest that the committee be looking that over carefully. They have some new language. Be looking it over. It is new language. They want to transfer to the Corps of Engineers and give them blanket authority.

Mr. MINSHALL. Excuse me, Mr. Chairman.

Mr. THOMAS. Go right ahead, Mr. Minshall.

SINGLE FAMILY HOME SURVEY—SAMPLE COPY

Mr. MINSHALL. This pamphlet entitled "Evaluation of Fallout Protection in Homes," of which they are mailing out some 25 million copies, I think should be included in the record. A glance at it makes it look something like an income tax form. A lot of people are going to have difficulty filling this out. I wonder if your cost includes the tabulation of this thing.

Mr. DURKEE. The total cost of the program does.

Mr. MINSHALL. What is the total cost of this program?

Mr. DURKEE. The total cost of that program for fiscal year 1966 is about $7 million. If you do not mind, Mr. Congressman, I prefer not to put that form in the record, because that is an experimental questionnaire which is being handled for us by the Bureau of the Census on a cross section of 25,000 homeowners. The purpose of this test——

Mr. MINSHALL. This is still a cost to the taxpayers.

Mr. DURKEE. Yes.

Mr. MINSHALL. Then it should be put in the record.

Mr. DURKEE. Put it in the record with the understanding what we are doing is testing the form to simplify it so it is understandable and that it will work.

Mr. THOMAS. Is that satisfactory?

Mr. MINSHALL. Yes.

(The document follows:)

EVALUATION OF FALLOUT PROTECTION IN HOMES

DEAR FELLOW CITIZEN: The Bureau of the Census, as agent for the Office of Civil Defense, is conducting a nationwide sample survey to find out how much protection from fallout radiation presently exists in homes. Your home has been selected as a part of that sample and your cooperation in this important undertaking will be very much appreciated.

Please answer the questions on the inside. The information collected will be held in strictest confidence by both the Bureau of the Census and the Office of Civil Defense.

The questionnaire requires no return postage and for your convenience has been designed as a self-mailer (just fold and seal it). Please fill it out and return it promptly.

———— ————,

*Director, Bureau of the Census.*

Budget Bureau No. 120-6408; Approval Expires December 31, 1965

## INSTRUCTIONS

The following questions are about your home (house, apartment, etc.) and the building in which it is located. Please answer them as accurately as you can by marking an "X" in the appropriate box.

**1. Do you have a specially constructed fallout or tornado shelter?**

1 ☐ No  2 ☐ Yes, a fallout shelter.  3 ☐ Yes, a tornado shelter.

**2. Is there a business establishment in the building in which you live?** (By business is meant a clearly recognizable store or commercial establishment such as a grocery, restaurant, barber shop, etc.)

1 ☐ No  2 ☐ Yes

**3. Which of the following most nearly describes your home?** *(Mark one box only)*

1 ☐ Single family detached house

2 ☐ Semi-detached house or side-by-side duplex

3 ☐ 2-family house or over-and-under duplex

4 ☐ Row house – end home *(SKIP TO QUESTION 5)*

5 ☐ Row house – middle or inner home *(SKIP TO QUESTION 6)*

6 ☐ Apartment in a building with 3 or more apartments *(SKIP TO NUMBER 13)*

7 ☐ Upstairs over a business establishment

8 ☐ Behind a business establishment

9 ☐ Trailer – on a permanent foundation *(SKIP TO QUESTION 9)*

0 ☐ Mobile trailer *(SKIP TO NUMBER 13)*

v ☐ Other *(Specify)*_____ *(SKIP TO NUMBER 13)*
Hotel, motel, room in a rooming house, etc.

**4. Is your home attached to another home or building?**

1 ☐ No  2 ☐ Yes – one side  3 ☐ Yes – two sides *(SKIP TO QUESTION 6)*

**5. Is there any other building within 10 feet of your home?** Do not count small buildings such as garages, carports, tool sheds, etc. (If your home is attached on one side, your answer should refer to the unattached side.)

1 ☐ No  2 ☐ Yes – one side  3 ☐ Yes – two sides

**6. How many floors are there in the building in which you live?** Do not include the attic floor or the basement or cellar floor. For split-level houses, or houses or buildings with partial basements, report only the number of floors directly above the basement part.

1 ☐ 1 Floor  2 ☐ 2 Floors  3 ☐ 3 Floors  4 ☐ 4 Floors or more

**7. What kind of outside wall covers the LARGER PART of the FIRST floor of this building?** If there are two different kinds of material (brick below wood siding, for example) consider the lower material only.

a. 1 ☐ Masonry (Brick, stone, poured concrete, concrete block or cinder block)  2 ☐ Other (Wood, asbestos shingle, etc.)

b. If masonry, is it applied over wood framing?

1 ☐ Yes  2 ☐ No  3 ☐ Don't know

**8. What type of roof does this building have?**

1 ☐ Slate or clay tile  2 ☐ Poured concrete
3 ☐ Other type (shingle, etc.)  4 ☐ Don't know

**9. Do you have a basement or cellar (either full or partial)?**

1 ☐ Yes  2 ☐ No *(SKIP TO NUMBER 13)*

**10. Does this basement include a garage?**

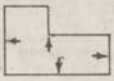
1 ☐ Yes  2 ☐ No

**11. Is this basement —**

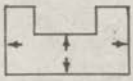
1 ☐ Square or rectangular?



2 ☐ L-Shaped?



3 ☐ U-Shaped?



4 ☐ Other shape? *(Draw diagram)*

(Small arrows indicate measuring points referred to in question 12 below.)

**12. How much of each basement wall is ABOVE the level of the outside ground?** Measure to the nearest foot at the points shown by the small arrows in the above diagrams. For "other" shapes, draw outline in the space provided above and enter arrows to show points at which walls were measured.

| *Determine right and left sides as you face the front of your home from outside.* | *Mark one box for each wall* | | | |
|---|---|---|---|---|
| | Front wall | Rear wall | Left wall | Right wall |
| Basement wall is attached to or is a part of another home or building | 0 ☐ | 0 ☐ | 0 ☐ | 0 ☐ |
| Basement wall is within 10 feet of another home or wall | 0 ☐ | 0 ☐ | 0 ☐ | 0 ☐ |
| None of basement wall extends above ground | 0 ☐ | 0 ☐ | 0 ☐ | 0 ☐ |
| One foot of basement wall extends above ground | 1 ☐ | 1 ☐ | 1 ☐ | 1 ☐ |
| Two feet of basement wall extends above ground | 2 ☐ | 2 ☐ | 2 ☐ | 2 ☐ |
| Three feet of basement wall extends above ground | 3 ☐ | 3 ☐ | 3 ☐ | 3 ☐ |
| Four feet of basement wall extends above ground | 4 ☐ | 4 ☐ | 4 ☐ | 4 ☐ |
| Five feet of basement wall extends above ground | 5 ☐ | 5 ☐ | 5 ☐ | 5 ☐ |
| Six feet or more of the basement wall extends above ground | 6 ☐ | 6 ☐ | 6 ☐ | 6 ☐ |

| 13. Your name *(Please print)* | Address *(Street and house number or RFD route)* | |
|---|---|---|
| City | State | ZIP code |

FORM B-33 (2-8-85)  USCOMM-DC

## APPROPRIATION HISTORY

Mr. THOMAS. Before we go into detail on operation and maintenance, how much have we spent on civil defense since the program began in 1951? Get these figures together and insert a table in the record at this point, giving the appropriation history so we will have it in one place.

(The information supplied follows:)

## Appropriation History of Civil Defense

| Agency | Fiscal year | Requested | Granted |
|---|---|---|---|
| Federal Civil Defense Administration | 1951 | $403,000,000 | $31,750,000 |
| Do | 1952 | 535,000,000 | 75,310,000 |
| Do | 1953 | 600,000,000 | 43,000,000 |
| Do | 1954 | 150,000,000 | 46,525,000 |
| Do | 1955 | 85,750,000 | 48,025,000 |
| Do | 1956 | 75,350,000 | 68,675,000 |
| Do | 1957 | 123,200,000 | 93,560,000 |
| Do | 1958 | 130,000,000 | 39,300,000 |
| Do | 1959 | 74,053,000 | 43,000,000 |
| Office of Civil and Defense Mobilization | 1960 | 101,670,000 | 52,885,000 |
| Do | 1961 | 77,313,000 | 61,088,000 |
| Do | 1962 | 104,535,000 | 86,550,000 |
| Department of Defense | 1962 | 207,600,000 | 207,600,000 |
| Do | 1963 | 756,900,000 | 128,000,000 |
| Do | 1964 | 346,900,000 | 111,569,000 |
| Do | 1965 | 358,000,000 | 105,200,000 |
| Total | | 4,129,271,000 | 1,242,037,000 |
| Department of Defense | 1966 | 193,900,000 | |

## Operation and Maintenance

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Direct obligations: | | | |
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 10,669 | 11,404 | 11,578 |
| 11.3 | Positions other than permanent | 135 | 117 | 117 |
| 11.5 | Other personnel compensation | 124 | 114 | 84 |
| | Total personnel compensation | 10,928 | 11,635 | 11,779 |
| 12.0 | Personnel benefits | 783 | 834 | 840 |
| 21.0 | Travel and transportation of persons | 651 | 703 | 703 |
| 22.0 | Transportation of things | 85 | 251 | 271 |
| 23.0 | Rent, communications, and utilities | 1,834 | 617 | 610 |
| 24.0 | Printing and reproduction | 1,515 | 2,642 | 2,981 |
| 25.1 | Other services | 10,360 | 10,460 | 13,390 |
| 25.2 | Services of other agencies | 16,057 | 15,157 | 14,109 |
| 26.0 | Supplies and materials | 675 | 726 | 812 |
| 31.0 | Equipment | 2,580 | 4,889 | 3,080 |
| 41.0 | Grants, subsidies, and contributions | 23,815 | 27,070 | 30,620 |
| 42.0 | Insurance claims and indemnities | 2 | 1 | 5 |
| | Total direct obligations | 69,285 | 74,985 | 79,200 |
| | Reimbursable obligations: | | | |
| 23.0 | Rent, communications, and utilities | 45 | 50 | 50 |
| 24.0 | Printing and reproduction | 5 | 8 | 8 |
| 25.1 | Other services | 4 | 14 | 14 |
| 25.2 | Services of other agencies | 22 | 19 | 19 |
| 26.0 | Supplies and materials | 9 | 8 | 8 |
| 31.0 | Equipment | 7 | 2 | 2 |
| | Total reimbursable obligations | 93 | 100 | 100 |
| 99.0 | Total obligations | 69,378 | 75,085 | 79,300 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 1,062 | 1,000 | 1,000 |
| Full-time equivalent of other positions | 25 | 20 | 20 |
| Average number of all employees | 1,060 | 1,014 | 1,018 |
| Average GS grade | 10.6 | 10.6 | 10.6 |
| Average GS salary | $10,599 | $11,364 | $11,478 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | Direct program: | | | |
| | 1. Warning and detection | 5,899 | 6,300 | 8,000 |
| | 2. Emergency operation | 25,721 | 27,250 | 26,100 |
| | 3. Financial assistance to States | 23,735 | 26,950 | 30,500 |
| | 4. Management | 13,930 | 14,485 | 14,600 |
| | Total direct obligations | 69,285 | 74,985 | 79,200 |
| | Reimbursable program: | | | |
| | 4. Management | 93 | 100 | 100 |
| 10 | Total obligations | 69,378 | 75,085 | 79,300 |
| | Financing: | | | |
| 11 | Receipts and reimbursements from: Administrative budget accounts | −93 | −100 | −100 |
| 25 | Unobligated balance lapsing | 1,027 | | |
| | New obligational authority | 70,312 | 74,985 | 79,200 |
| | New obligational authority: | | | |
| 40 | Appropriation | 70,319 | 75,000 | 79,200 |
| 41 | Transferred to: | | | |
| | "Operating expenses, Public Buildings Service, GSA," (77 Stat. 436) | −7 | | |
| | "Operation and maintenance, Defense Agencies" (10 U.S.C. 126) | | −15 | |
| 42 | Appropriation (adjusted) | 70,312 | 74,985 | 79,200 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 69,378 | 75,085 | 79,300 |
| 70 | Receipts and other offsets (items 11–17) | −93 | −100 | −100 |
| 71 | Obligations affecting expenditures | 69,285 | 74,985 | 79,200 |
| 72 | Obligated balance, start of year | 37,978 | 53,263 | 54,248 |
| 74 | Obligated balance, end of year | −53,263 | −54,248 | −58,448 |
| 77 | Adjustments in expired accounts | −2,007 | | |
| 90 | Expenditures | 51,993 | 74,000 | 75,000 |

Mr. THOMAS. Let us go to "Operation and maintenance." Put page 3 in the record.

(The page follows:)

*Operation and maintenance appropriation summary (direct obligations)*

| Budget program/project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| I. Warning and detection | $5,898,816 | $6,300,000 | $8,000,000 |
| A. Warning systems | 1,791,536 | 2,400,000 | 1,300,000 |
| B. Detection and monitoring systems | 2,569,447 | 1,550,000 | 3,420,000 |
| C. Warehousing and maintenance | 1,537,833 | 2,350,000 | 3,280,000 |
| II. Emergency operations | 25,721,208 | 27,250,000 | 26,100,000 |
| A. Broadcast station protection program | 3,689,632 | 3,735,000 | 2,000,000 |
| B. Damage assessment | 2,686,174 | 3,800,000 | 1,400,000 |
| C. Training and education | 13,975,973 | 15,235,000 | 15,397,000 |
| D. Emergency operations system development | 2,474,914 | 1,000,000 | 3,000,000 |
| E. Public information | 2,651,845 | 3,244,000 | 4,000,000 |
| F. Other Emergency operations | 242,670 | 236,000 | 303,000 |
| III. Financial assistance to states | 23,735,049 | 26,950,000 | 30,500,000 |
| A. Personnel and administrative expenses | 14,320,896 | 16,000,000 | 18,500,000 |
| B. Survival supplies, equipment, and training | 4,975,800 | 5,600,000 | 6,000,000 |
| C. Emergency operating centers | 4,438,353 | 5,350,000 | 6,000,000 |
| IV. Management | 13,929,807 | 14,484,700 | 14,600,000 |
| A. Personal services and benefits | 11,711,538 | 12,469,000 | 12,619,000 |
| B. Travel | 649,143 | 700,000 | 700,000 |
| C. Administrative and housekeeping expense | 1,569,126 | 1,315,700 | 1,281,000 |
| Total | 69,284,880 | 74,984,700 | 79,200,000 |

Mr. THOMAS. Let us analyze that. You have "Warning" and "Detection" systems. You have "Warehousing." That figure looks a little high to me. Take a look at this. He gives you a good table with the pages and breakdown. He has a very nice justification. We touched some of your weak points a while ago, and now we will indicate some of the strong ones.

"Broadcast station protection." "Training and education." We ought to go into that in some detail. You have two training and education programs. This one the Government pays for 100 percent.

Under "Financial assistance to States" you have another training program, but that is on a 50–50 basis. "Survival supplies, equipment, and training" goes up $400,000.

"Emergency operating centers." You are getting into a new construction program. He built one at a cost of about $4 million, 50,000 square feet, so he is reducing the cost 66⅔ percent on the rest of them. He wants to start on these to the tune of about $6 million.

Mr. DURKEE. Our Federal Regional Emergency Operating Centers will cost $7.8 million, Mr. Chairman.

Mr. THOMAS. That is on a matching basis, too, is it not?

Mr. DURKEE. No. There are two distinct programs here. The one you referred to first is for Federal emergency operations.

Mr. THOMAS. I am thinking about the one for the big cities.

Mr. DURKEE. Yes. The $6 million for State and local centers is purely matching funds.

Mr. THOMAS. He sets out his figure on "Travel" for $700,000. "Housekeeping expense," $1,281,000. There is not a consolidated figure here for printing and binding.

## WARNING AND DETECTION

Let us take a look at the warning system. Put page 4 in the record. (The page follows:)

*Warning and detection program summary (direct obligations)*

| Budget program/project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Warning and detection | $5,898,816 | $6,300,000 | $8,000,000 |
| A. Warning systems | 1,791,536 | 2,400,000 | 1,300,000 |
| B. Detection and monitoring systems | 2,569,447 | 1,550,000 | 3,420,000 |
| C. Warehousing and maintenance | 1,537,833 | 2,350,000 | 3,280,000 |

### GENERAL

*Warning*

Missiles launched by the Soviet toward the United States may have a flight time ranging from 5 to 30 minutes, dependent upon the delivery system utilized. In view of this potential ballistic missile threat, the need for effective civil defense warning systems becomes increasingly important.

A primitive form of warning against radioactive fallout resulting from a nuclear burst would be the attack itself. The natural phenomena resulting from a bomb burst would serve the surrounding communities as the alarm for taking cover. Over the last decade, this warning capability has been improved by many types and forms of local warning systems, consisting primarily of outdoor sirens. A recent Department of Defense study, however, has given impetus to the need for warning by providing some indication of the lifesaving potential of controlled warning under different attack conditions. This study concluded that a total warning system (outdoor/indoor) without a fallout shelter system could increase survivors by 1 or 2 percent of the total preattack population. Further, in conjunction with a full fallout shelter system such a warning system could increase survivors by 5 to 8 percent of the total preattack population depending upon the type and severity of attack.

The present civil defense warning system is a combination of Federal, State, and local systems and is limited in that it is essentially an outdoor warning system. In recent years, the Office of Civil Defense has been engaged in developing an indoor warning system that would provide effective warning for communities close to initial detonation of early delivered missiles, thereby increasing the chances of survival under fallout conditions. The system currently under development would continue the federalization of the warning system down to local levels and should provide the capability to directly alert a major portion of the population of the United States.

Mr. THOMAS. We have discussed the warning system in some detail. Warehousing goes up from $2,350,000 to $3,280,000 this year.

### WAREHOUSING AND MAINTENANCE

What do you maintain in these warehouses? How many of them do you have? What items are you warehousing?

Mr. DURKEE. Mr. Holt, will speak to that.

Mr. HOLT. There are 10 of these warehouses.

Mr. THOMAS. Where are they located and what do you have in them? What are you paying per square foot on them?

Mr. HOLT. These are different warehouses from the ones that we talked about for our shelter supplies. These are the warehouses for the radiological monitoring equipment.

Mr. THOMAS. Two different propositions?

Mr. HOLT. Yes, indeed, sir.

Mr. THOMAS. How much are you paying per square foot and where are they located? How much do you have in various towns?

Mr. HOLT. Sir, there are 10 main radiological equipment warehouses and 10 others with engineering equipment. The cost of the warehousing and maintenance part of this particular account is $1.2 million estimated for 1966 or 13 cents a space.

Mr. THOMAS. You have two warehousing accounts, and they total about $25 million. Is that correct? I do not know what in the world you are warehousing for $25 million.

Mr. HOLT. Sir, may I make that clear, if I may? In addition to radiological equipment the warehouses also contain our engineering equipment, which contains our water purification systems and a minor amount of chemical and biological defense equipment.

Mr. THOMAS. Is this a joint venture between the cities and towns, or is this all Federal?

Mr. HOLT. It is all Federal, sir. As I explained, the $1.2 million is actually for the warehousing.

INVENTORY

Mr. THOMAS. What is your inventory in these warehouses?

Mr. HOLT. Radiological equipment, sir, $24.8 million; chemical and biological defense equipment, $1.7 million; engineering, $9.6 million.

Mr. THOMAS. Have you about a $35 million inventory?

Mr. HOLT. Yes, sir, $36 million.

Mr. THOMAS. You are paying how much to warehouse it?

Mr. HOLT. Only $1.2 million a year, sir.

Mr. THOMAS. You have a figure here $3,280,000. Does that take care of the personnel costs?

Mr. HOLT. I wished to clarify that. The other part of that same account is $2,080,000 which is the expense of maintaining and calibrating the radiological equipment in the States. The instrumentation has to be checked about once a year.

Mr. THOMAS. How many sets do you have in your warehouse?

Mr. HOLT. In the warehouse, sir, at the present time——

Mr. DURKEE. There are 2.4 million items valued at $25 million.

Mr. THOMAS. How many are in the hands of the public?

Mr. DURKEE. There are 2.8 million of these valued at $21.9 million. When you say in the hands of the public, we are talking about local authorities and State authorities.

Mr. THOMAS. Does John Q. Public have them?

Mr. DURKEE. No, sir.

Mr. THOMAS. He is the one who is going to have to use it. He is the one who will have to get it in a case of emergency. Does he go to the warehouse and get it?

Mr. DURKEE. No, sir.

Mr. THOMAS. How is he going to get it?

Mr. DURKEE. He is not going to get it.

Mr. THOMAS. What is the use of having it if he cannot use it?

Mr. DURKEE. Radiation monitoring for the general public will have to be in the hands of skilled technicians who are trained to do this. Radiological equipment is located in shelters and located where they can be used within the shelter. We are training the people to use them. The general public will not use them. The general public will have to rely on those trained operators to tell them what the radiation level is.

Mr. MINSHALL. Who has that job on Capitol Hill? It is not the Superintendent, is it?

Mr. DURKEE. No. We are making arrangements, I believe, to train the police on Capitol Hill. We would be glad to have volunteers, I know. We try to get the kind of personnel who are going to be there all the time.

WAREHOUSE PERSONNEL

Mr. THOMAS. How many people are employed in this warehousing operation?

What is your employment figure here for maintenance?

Mr. MCKINNEY. Our warehousing is accomplished primarily by contract with GSA.

Mr. HOLT. There are about three people in each warehouse. That would be a total of 30 people employed by the General Services Administration.

WAREHOUSE LOCATIONS

Mr. THOMAS. Where are these warehouses located?

Mr. HOLT. Fort Devens, Mass., Morristown, N.J., Romulus, N.Y., Somerville, N.J., Winooski, Vt., Mechanicsburg, Pa., Columbus, Ohio, New Cumberland, Pa., the Navy Yard Annex in Washington, D.C., Rockwood, Tenn., Thomasville, Ga., Jeffersonville, Ind., Seneca, Ill., Bastrop, Tex., Hampton, Iowa, Neosho, Mo., Stockton, Calif., Umatilla, Oreg., Spokane, Wash., and Tacoma, Wash.

Mr. THOMAS. Who is going to use them in Bastrop, and how are they going to get them out? Bastrop is about 100 miles from Houston. Bastrop is a town of about 3,000 people, is it not?

Mr. DURKEE. Mr. Chairman, most of the inventory of supplies we are talking about, radiological instruments, is moving out of the warehouses and will not be permanently stored there. In other words, they are not a stockpile.

Mr. THOMAS. What do you pay per square foot? What is the average rent you pay on your warehouse space?

Mr. HOLT. Sir, we have a mutual agreement between the Department of Defense and General Services Administration that we pay only for the handling costs.

Mr. THOMAS. Are these in military installations?

Mr. HOLT. The items we are talking about now, sir, are in GSA warehouses, four Army depots, and two Veterans' Administration depots.

WARNING COSTS

Mr. JONAS. Mr. Chairman, can you give us the total cost of this warning system, including what the Army Strategic Communications Command budgets?

Mr. DURKEE. Yes.

Mr. JONAS. What would that add to this?

Mr. DURKEE. The warning system. That adds about $1.3 million for fiscal year 1966 for the warning system.

Mr. JONAS. You are sure you are not overlapping there?

Mr. DURKEE. No. The specific budget amount is worked out with them every year. They maintain the system for us and budget separately for that. They programed $1,265,000 during fiscal year 1965 for the maintenance of the warning system.

BOMB ALARM SYSTEM

Mr. MINSHALL. Does this include the bomb alarm system that the Army has?

Mr. DURKEE. No. That is a separate system.

Mr. MINSHALL. Then it is more than the $1.3 million.

Mr. DURKEE. That is right. That is an Air Force system. That is not a civil defense system.

Mr. MINSHALL. It supplements the same work you are doing.

Mr. DURKEE. It is not a warning system. It informs you about where a bomb detonation has taken place, and that information is fed back in to Washington.

Mr. MINSHALL. Is that not valuable to you?

Mr. DURKEE. It is valuable to us in what we call damage assessment to know where the weapon landed and what kind of damage has been done.

Mr. MINSHALL. You would want to know which way the wind is blowing.

Mr. DURKEE. We do that separately in terms of analyzing upper wind data. We do not maintain the bomb alarm system. It is most relevant, not to the lifesaving action but to damage assessment, to evaluate what has happened.

Mr. MINSHALL. What is your understanding of why the Air Force maintains this system?

Mr. DURKEE. The primary purpose that they maintain the system is to know right away what damage has been done to their operational military bases, to get an instant judgment about what fields are still operational.

Mr. MINSHALL. These are hundreds or thousands of miles away from some military base.

Mr. DURKEE. I do not know all the technical details.

Mr. ROMM. Mr. Congressman, the bomb alarm system the Air Force operates is located specifically around SAC bases, and was designed intially to give them an alarm and an estimate of immediate operational capabilities.

Mr. MINSHALL. I think they since have given it up and come up with another system.

Mr. ROMM. The bomb alarm system is still operational, and there are readouts on it at command and control centers. There is another nuclear detonation system being tested around the Washington area, which is the one you are talking about, I think, sir, which gives you widespread coverage but is far less accurate in terms of what it reports.

(Off the record.)

Mr. MINSHALL. Fill out the record or amplify it, will you?
Mr. ROMM. Yes.
(The information supplied follows:)

The bomb alarm system was originally developed for the Air Force by Western Union and is provided to the Air Force on a leased basis and has been operational since 1962. The only system components owned by the Air Force are those outside the country for coverage of military installations at Clear, Alaska, and Thule, Greenland. Functional capability of the system is maintained by Western Union.

At present 99 potential target/or target complexes are covered by the system. In addition to the BMEWS sites, SAC bases, NORAD bases and some industrial and population centers are instrumented. Sensors are located so as to detect nuclear detonations in or near potential targets. The system is full-time and self-testing for sensor and communications operability. Communications have been routed to avoid likely targets and have built-in redundancy to provide additional reliability and survivability.

Generally speaking, three sensors are located in a triangular pattern around each of the installations they cover. They do not give weapon yield or precise location of a nuclear detonation. The system merely records the fact that a nuclear event has occurred within an area covered by the sensors and gives the time of the event. On the basis of total U.S. coverage, this system covers less than 1 percent of the Nation's land area.

This system may provide the first indication of an attack. Weapons delivered in such a way as to avoid our detection systems, or delivered clandestinely, could be initially detected by bomb alarm. The system will also provide operational information about specific installations and may also give early indication of the type of attack, i.e., military, industrial, or mixed military industrial.

The 477–L (NUDETS) system was developed from requirements which called for qualitative data about nuclear detonations in the CONUS. The requirement generally called for a fully automatic system to provide accurate data on ground zero, height of burst, yield, and time of detonation. The purpose was to provide a capability to perform damage assessment and fallout prediction.

A phase I system has been installed which covers a portion of the eastern part of the United States. This phase I system is undergoing tests and evaluation and any further deployment is being held in abeyance pending results of this prototype phase.

The system consists of a mix of optical, seismic, and electromagnetic sensors. For the area now covered, it will provide elements of the National Military Command and Control System with strike information. It is an after the fact reporting of an event and has no tactical warning capability. It could provide the basis for civil warning that an attack was underway if undetected weapons were to arrive within the area the system covers.

OCD has available to it the output from both bomb alarm and 477–L. Because bomb alarm does not provide any data on size, precise location, or height of burst, and 477–L has very limited geographic coverage and unanalyzed technical capability, neither system provides OCD with the information needed to perform detailed damage assessments on the civil population and resources.

WARNING SYSTEMS

Mr. THOMAS. Put page 6 in the record.
(The page follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| A. Warning systems | $1,791,536 | $2,400,000 | $1,300,000 |
| Distribution by item: | | | |
| 1. Fallout protection for warning points | 95,425 | 900,000 | 900,000 |
| 2. Washington area warning system (WAWAS) | 325,165 | 400,000 | 400,000 |
| 3. Development of radio warning system | 646,187 | 1,100,000 | 0 |
| 4. Development of powerline warning system | 724,759 | 0 | 0 |
| Total | 1,791,536 | 2,400,000 | 1,300,000 |
| Distribution by object classification: | | | |
| 23 Rent, communications, and utilities | 258,955 | 102,806 | 96,100 |
| 25 Other services | 1,287,062 | 690,194 | 90,000 |
| Services of other agencies | 245,425 | 900,000 | 900,000 |
| 26 Supplies and materials | 26 | 0 | 0 |
| 31 Equipment | 68 | 707,000 | 213,900 |
| Total | 1,791,536 | 2,400,000 | 1,300,000 |

*Justification*

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 1. Fallout protection for warning points | $95,425 | $900,000 | $900,000 |

To assure an effective national warning system (NAWAS), the operators of warning points must be protected from fallout gamma radiation. Unless this protection is provided, it would be unrealistic to expect that personnel would remain at these warning points when radiation hazards are imminent or present and other people have gone to shelter. With protection, the warning points in many locations could perform limited functions as a local emergency operating center in providing information to surrounding shelters. Since civil defense actions stem from adequate preattack warning, transattack and postattack information, survivability under fallout conditions will be enhanced by providing fallout protection for warning point personnel.

PROCUREMENT OF RADIOLOGICAL EQUIPMENT

Mr. THOMAS. Insert page 16 in the record on procurement.
(The page follows:)

*Dollar recapitulation of procurement of radiological defense equipment*

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Initial procurement | $1,901,403 | $995,000 | $2,495,000 |
| Dosimeters for civil defense workers (CD-V-742) | 1,901,403 | 0 | 2,400,000 |
| Dosimeter chargers for civil defense workers (CD-V-750) | 0 | 0 | 95,000 |
| Training equipment: | | | |
| Loudspeaker attachment (CD-V-705) for Geiger survey meter | 0 | 105,000 | 0 |
| Component parts of 2,000 radiation training source sets | 0 | 665,000 | 0 |
| Sensitivity check source (CD-V-798) | 0 | 225,000 | 0 |
| Spare parts (with initial procurement) | 0 | 5,000 | 5,000 |
| Total | 1,901,403 | 1,000,000 | 2,500,000 |

## Emergency Operations

Mr. Thomas. Let us take a look at emergency operations here. You have broadcast station protection, damage assessment, training, and education. That is the big bill this year.

Mr. Durkee. About the same as last year.

Mr. Thomas. Emergency operations system development, public information, other emergencies.

Let us put pages 21, 22, 23, 24, and 25 in the record.

(The pages follow:)

*Emergency operations program summary (direct obligations)*

| Budget program/project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Emergency operations | $25,721,208 | $27,250,000 | $26,100,000 |
| A. Broadcast station protection program | 3,689,632 | 3,735,000 | 2,000,000 |
| B. Damage assessment | 2,686,174 | 3,800,000 | 1,400,000 |
| C. Training and education | 13,975,973 | 15,235,000 | 15,397,000 |
| D. Emergency operations system development | 2,474,914 | 1,000,000 | 3,000,000 |
| E. Public information | 2,651,845 | 3,244,000 | 4,000,000 |
| F. Other emergency operations | 242,670 | 236,000 | 303,000 |

GENERAL

An attack upon the United States may come with little or no warning. In the event of such an attack there would not be sufficient time to develop detailed plans to assure successful performance of emergency functions. Operational plans and the resources necessary to execute such plans must, therefore, be ready before any attack. While the lifesaving potential of a well organized and readily available emergency operations capability cannot be precisely calculated, it is evident that planning deficiencies could exact severe penalties in terms of lives lost.

The community shelter planning function is considered as one of the most important elements of the civil defense emergency operations program since it is required to assure realization of the maximum lifesaving potential of the Nation's shelter resources. Community shelter planning includes an assessment of existing shelter resources, assignment of the population to shelters, plans for movement to shelter and appropriate shelter organization with designation and training of shelter leaders and staff. Development of a total community shelter plan will assure higher occupancy of available shelters, thereby resulting in a higher return in terms of lives saved.

A capability must also exist to be able to communicate with the public for lifesaving instruction and high-priority emergency information. This assured means of communication must be made available for use by the President, other Federal officials and State and local authorities.

Information on the nature and extent of damage to material and human resources must also be available after an attack as a basis for determination of the proper course of action which can best assure continued survival of the remaining population.

Accurate data on the extent, intensity and duration of radiological hazards must be available as a basis for intelligent action in the postattack environment. This requires a sufficient number of radiological detection and monitoring instruments, properly stationed, and a sufficient number of citizens properly trained who can make required readings.

The continued survival of the remaining population after an attack may depend in large part upon the availability of certain critical community services, such as firefighting, health and welfare, debris clearance, and law and order.

Protected Government operating centers are required to provide organized direction of preattack and postattack emergency operations. The ability to

communicate direction and instruction must be established at all levels of government with each operating center being designed and manned to meet the emergency needs of the specific government or element of government.

A communication capability is required for sending and receiving reports of condition, requests for assistance, and the overall coordination of the several emergency operations functions.

It is evident that civil defense emergency operations is not totally a federally financed effort, however, the Federal Government must stand ready to provide that assistance which is deemed necessary to create a nationwide, well organized, and coordinated civil defense capability. Operational costs at the State and local level are generally financed on a matching funds basis and are included under the financial assistance to States budget program.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| A. Broadcast station protection program | $3,689,632 | $3,735,000 | $2,000,000 |
| Distribution by object classification: | | | |
| 23 Rent, communications, and utilities | 420 | 0 | 0 |
| 25 Other services | 65 | 0 | 0 |
| Services of other agencies | 3,689,147 | 3,735,000 | 2,000,000 |
| Total | 3,689,632 | 3,735,000 | 2,000,000 |

JUSTIFICATION

The emergency broadcast system has been devised to provide the President and the Federal Government, as well as State and local governments, with a means of communicating with the general public through non-government broadcast stations during the period preceding, during, and following an enemy attack. Mass communications from such sources might include, but not be limited to, messages from the President or other Federal officials, national, regional, State, and local area instructions, news and information.

An operational capability for programing will be provided for local, State and national (including regional) units of the government to communicate with the general public within their respective jurisdictions. This plan provides for utilizing facilities and personnel of the entire non-government communications industry on a voluntary basis to provide the Nation with a functional system to be operated by the industry under appropriate Government regulation and in a controlled manner consistent with national security requirements during a national emergency.

In implementing the EBS plan, the FCC is issuing new National Defense Emergency Authorizations (NDEA) to radio broadcast stations that meet the specific criteria for eligibility. An NDEA is required for a station to operate during a national emergency. A standby script (fig. 5, p. 26) is available for broadcast only by stations holding an NDEA. The script will be used after completion of broadcast of the emergency action notification necessary as prescribed in the FCC rules, section 73.921, and in the emergency broadcast system plan. Non-NDEA stations do not use this script, since they would leave the air upon completion of the broadcast of the emergency action notification message. This material is available for each NDEA station to use immediately as fill material, and to repeat as fill material until the originating point for the local program becomes operational. Thereafter the NDEA station will broadcast only the common local program in accordance with the plan. (This script may also be used by the originating point for the common local program). All stations having an NDEA are required to keep a copy of this script in a prominent place for quick use in an emergency. Copies should be placed in the newsroom, control room, and transmitter. For additional protection, stations should also put this material on standby tape or disk, taking suitable precautions to guard against accidental transmission. The station originating a common local program must monitor the national program source which will carry the first priority Presidential message plus other vital news and information.

State and local area program requirements were submitted by OCD to the FCC, which in turn made a technical analysis of the coverage of all AM broadcast stations authorized to operate on an unlimited time basis. This identified those stations required in the system to assure continuous availability of program capability.

The OCD, through its broadcast station protection program, and in coordination with the FCC and the Army Corps of Engineers/Navy Bureau of Yards and Docks, is providing minimum protection capability for the EBS to assure continued operations in a fallout environment.

The Office of Civil Defense broadcast station protection program consists of three major parts:

(*a*) Fallout protection to provide an austere but adequate area for the minimum personnel required to operate the stations.

(*b*) Emergency power to provide the stations with a capability to continue operation if normal power is disrupted.

(*c*) Radio program links and associated equipment to provide communications equipment required to transmit local, State, and regional programing from seats of government (points of entry) to the stations and on to the public.

Ninety-three stations were included in fiscal year 1962 and fiscal year 1963, and an additional 217 in fiscal year 1964. In fiscal year 1965, OCD intends to increase the number of stations included by 220.

Funds in the amount of $2 million are being requested in fiscal year 1966 for an additional 128 broadcast stations for a cumulative total of 658 stations. Costs for protection of radio stations vary with local conditions, power of station, and equipment required. This would complete the national coverage requirement. Funds will however be required in subsequent years for the maintenance of the program to improve State and local programing capability. Federal financial assistance to effect this program is extended only to those broadcast facilities where upon analysis it is determined that the privately owned facilities would provide broadcast coverage of substantial and additional populated areas.

By agreement with the Federal Communications Commission, fund support for FCC liaison personnel in support of this progrgam are included in this budget estimate.

Average cost per station is approximately $15,800, including cost to Corps of Engineers for management, supervision, and inspection, and for FCC liaison personnel at OCD regional offices providing technical information and assistance.

Mr. THOMAS. I have a paragraph underlined. [Reading:]

Protected government operating centers are required to provide organized direction of preattack and postattack emergency operations. The ability to communicate direction and instruction must be established at all levels of government with each operating center being designed and manned to meet the emergency needs of the specific government or element of government.

Mr. DURKEE. What page is that?

Mr. THOMAS. Page 22. [Continuing reading:]

The OCD, through its broadcast station protection program, and in coordination with the FCC and the Army Corps of Engineers/Navy Bureau of Yards and Docks—

that is a joint operation—

is providing minimum protection capability for the EBS to assure continued operations in a fallout environment.

On page 25 I have underlined:

Average cost per station is approximately $15,800, including cost to Corps of Engineers for management, supervision, and inspection, and for FCC liaison personnel at OCD regional offices providing technical information and assistance.

TRAINING AND EDUCATION

Let us turn to page 31, "Emergency operations." Put pages 31, 32, and 33 in the record.

(The pages follow:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Training and education | $13,975,973 | $15,235,000 | $15,397,000 |
| Distribution by item: | | | |
| 1. OCD schools | 707,942 | 1,020,000 | 1,070,000 |
| 2. Architect and engineer development | 1,052,153 | 1,100,000 | 1,100,000 |
| 3. Adult education program | 4,032,394 | 4,200,000 | 4,200,000 |
| 4. Medical self-help program | 1,003,131 | 1,000,000 | 1,000,000 |
| 5. Rural civil defense program | 1,375,000 | 1,400,000 | 1,400,000 |
| 6. University extension program | 3,131,189 | 4,800,000 | 5,000,000 |
| 7. Armed Forces and national associations training | 133,061 | 300,000 | 272,000 |
| 8. Training materials | 606,346 | 880,000 | 800,000 |
| 9. Requirements, status, and evaluation | 1,934,757 | 535,000 | 555,000 |
| Total | 13,975,973 | 15,235,000 | 15,397,000 |
| Distribution by object classification: | | | |
| 21 Travel and transportation of persons | 2,112 | 3,000 | 3,000 |
| 22 Transporration of things | 219 | 1,000 | 1,000 |
| 23 Rent, communications, and utilities | 21,196 | 23,000 | 23,000 |
| 24 Printing and reproduction | 100,522 | 245,000 | 375,000 |
| 25 Other services | 6,475,028 | 7,167,000 | 7,247,000 |
| Services of other agencies | 7,131,635 | 7,529,000 | 7,526,000 |
| 26 Supplies and materials | 130,940 | 52,000 | 42,000 |
| 31 Equipment | 34,498 | 95,000 | 60,000 |
| 41 Grants, subsidies, and contributions | 79,823 | 120,000 | 120,000 |
| Total | 13,975,973 | 15,235,000 | 15,397,000 |

JUSTIFICATION

Training and education activities support the civil defense fallout shelter and emergency operations programs by—

(*a*) Giving prerequisite instruction to civil defense directors and other principals;

(*b*) Preparing materials and offering courses to train people to function effectively in operations subsystems;

(*c*) Preparing materials and making instruction available to the public aimed at securing understanding, acceptance, and cooperation with protective measures and procedures; and

(*d*) Placing a capability in each State in the form of instructors and materials that can respond to developing tension situations.

Civil defense instruction must meet a wide range of needs varying from simple orientation to the practiced ability to perform vital, complex, judgmental actions under stress conditions. Instructional activities must reach audiences ranging from Naional, State and local public officials having responsibilities to respond to emergencies in their respective jurisdictions; to skills training of technicians engaged in emergency operations; to providing emergency instructions to the individual citizens—the public.

The basic means of carrying out the training and education program consists of training at the three OCD schools, presentation of courses by contract, preparation of materials, and providing financial support to approved State and local training activities (the latter activity is included in the "Financial assistance to States" budget program). Priority is given to use of existing and accepted instructional capabilities—public schools and universities, military schools, and Federal agency outlets—to provide specialist training as well as general public education. Further, the use of instructor training is emphasized to achieve economy in Federal expenditures and to multiply the impact of civil defense training in State and local units of government.

It is estimated that totally federally financed training will reach over 2.5 million people during fiscal year 1966.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 1. OCD schools | $707,942 | $1,020,000 | $1,070,000 |
| (*a*) Operation of schools | (707,942) | (880,000) | (870,000) |

The Office of Civil Defense operates three schools for training civil defense officials and instructors. In addition to this training function the schools develop instructional doctrine on shelter and emergency operations and develop training materials in support of selected national civil defense programs. These three schools are considered as the prime source within the Office of Civil Defense for instructional and training doctrine. During fiscal year 1964, 3,654 students were graduated (see fig. 7, p. 47), and the fiscal year 1965 program calls for a schedule of 130 regular courses with an estimated output of 3,500 graduates. The gradual transfer of basic training of State and local personnel to the rapidly growing university extension program and to State civil defense training centers is currently in process. This gradual transfer of student load permits a larger measure of the resources of the Office of Civil Defense schools to be applied to advanced work and the development and initiation of an extended professional career course. Cost of operating the three school facilities during fiscal year 1965 amounts to $880,000. This includes the refurbishing of the eastern training center, construction of a simulated emergency operating center at western training center, and the replacement of overage office, dormitory, and classroom furniture. During fiscal year 1966 a total of $870,000 will be required for school operations which will include the completion of the equipment replacement program, and minor modifications at the staff college and western training center.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| (b) Emergency systems training | (0) | ($100,000) | ($100,000) |

Aside from localized natural disasters, few State and local officials and civil defense personnel have had experience with emergency operations. Since experience with the nuclear "real thing" for civilian training purposes is impossible, a unique training requirement is imposed to get instruction to the people who need it by accurate simulation. To meet this requirement, Office of Civil Defense is establishing special simulation training capabilities at each of the three OCD schools. The simulation training program will provide command and control experience in emergency operations and functional training at State and local levels of government by simulation exercises. Specifically, the program will—

(1) Prepare civil defense personnel to meet difficult and unusual command and control situations which do not ordinarily occur in day-to-day operations but could occur during an actual emergency.

(2) Provide practice in decisionmaking, interpreting and analyzing information, predicting situations, assessing alternatives, identifying critical choices, intelligence processes and damage assessment, planning strategy, directing and coordinating forces, and evaluating decision outcomes.

(3) Prepare personnel at all levels to deal with uncertainties, contingencies, risks, and threats.

During fiscal year 1965, $100,000 has been programed for the procurement of necessary simulation devices for each of the three OCD schools. During fiscal year 1966, the simulation technique, in addition to being used at the school location itself, will be taken to approximately 20 locations throughout the country on an extension basis. Funds in the amount of $100,000 are being requested for this purpose.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| (c) Seminars for national officials | (0) | ($40,000) | ($100,000) |

A series of seminars for an estimated total of 425 participants will be held during fiscal year 1965 at an estimated cost of $40,000. The participants will be executive officers and staff members of associations and professional groups that can make a marked contribution to the national civil defense program. Separate seminars will be held on civil defense for DOD officials, representatives of associations of public officials such as the National League of Cities, education associations, welfare associations, Federal agencies with civil defense assignments, information industry associations, and industrial associations.

Mr. THOMAS. "Emergency operations." This is education and training. There are nine items here. The first is OCD schools. Is this all Federal money?

Mr. DURKEE. This is all Federal money.

Mr. THOMAS. "Architect and engineer development," $1 million. "Adult education program," "rural civil defense programs," "university extension program," about $5 million; "Training materials." It all adds up to $15,397,000.

How important is this educational program and what is your printing and binding cost for this program? You have "Printing and reproduction," $375,000.

Mr. DURKEE. Would you like me to comment on training and education?

Mr. THOMAS. Surely. Go ahead and give us your comment.

Mr. DURKEE. Let me give you a brief comment on the purpose of these training programs.

UNIVERSITY EXTENSION PROGRAM

Mr. THOMAS. I have underlined on page 40, "University extension program," $5 million—let me read this:

The extension divisions of the State land-grant colleges and universities have excellent facilities for taking civil defense instruction to communities. In fiscal year 1963, procedures were worked out with colleges and universities to use their resources and capability * * *.

How many colleges and universities did you say we were using—18?

Mr. DURKEE. About 90 in the architect and engineers program. The university extension program has one in each State.

Mr. THOMAS. Now you go ahead and comment.

OCD SCHOOLS

Mr. DURKEE. The Office of Civil Defense schools teach professional civil defense to professionals. That is the purpose of those schools. They are high-level civil defense courses.

Mr. THOMAS. How many students attend?

Mr. DURKEE. About 4,000 last year. They are 2-week courses.

Mr. THOMAS. How much does it cost per student, plus travel cost, plus per diem and everything? Do you pay the entire bill?

Mr. DURKEE. No. We pay matching funds on the travel costs of students.

Mr. THOMAS. This is not your matching cost program.

Mr. DURKEE. No.

Mr. THOMAS. It is a 2-week course, and you have 4,000 students. What does it cost per student?

Mr. DURKEE. There was $708,000 for the running of the schools, and matching funds for travel costs were about $80,000 last year. So it costs a little less than $800,000 to train these 4,000 people. This is a professional course going for 2 weeks.

Mr. THOMAS. What expense does the trainee himself bear?

Mr. DURKEE. He bears part of the cost of travel.

Mr. THOMAS. I thought you paid that travel.

Mr. DURKEE. We pay 50 percent of the travel cost.

PURPOSE OF TRAINING AND EDUCATION PROGRAM

Mr. THOMAS. Generally what is the value of the program? You have nine different training programs here.

Mr. DURKEE. Generally the purpose of the programs, OCD schools, architect-engineers, and university extension programs, is to train specific people in specific technical aspects of civil defense. The three programs—adult education, medical self-help, and rural civil defense program—are to teach the general public about civil defense. Adult education is a 15-hour course in general civil defense. It is being given throughout the country. As a matter of fact, it has become a part of the curriculum in many high schools around the country at no cost to the Federal Government at all. I have a list of those which are being given as a part of the regular high school curriculum.

Medical self-help is a medical program devised for us by the American Medical Association, and which goes beyond the Red Cross first aid. It is being conducted throughout the country under the auspices of the medical profession, and in general it tells a person how to take care of himself in the absence of a doctor.

The rural civil defense program is hitched to and a part of the Department of Agriculture Extension Service. County agents work with rural people to tell them specific facts about shelters, civil defense, protection of livestock, and specific instructions.

University extension programs can do three things——

PROTECTION OF LIVESTOCK

Mr. THOMAS. What can you do about livestock? I am a farmer, too. I would like to know. What am I going to do with those poor old cows?

Mr. DURKEE. You have to shelter them the way you shelter people. They are subject to radiation the same as people.

Mr. SCHON. The Department of Agriculture has a training item on this through their cooperative Extension Service. They recommend that if livestock can be brought into or under shelter and given water and food that is not contaminated, it enhances their opportunity for survival. If they are in a heavy fallout area, this may not actually protect particular animals, but in areas of lesser contamination it is better.

Mr. JONAS. Are you going to stock the shelters?

Mr. DURKEE. Stock the shelters for the cows?

Mr. JONAS. With feed grain and food.

Mr. DURKEE. No, sir.

Mr. JONAS. They are going to die of starvation.

Mr. DURKEE. No, sir. The food is not destroyed. The food is there.

Mr. JONAS. It will be contaminated.

Mr. DURKEE. Most of it would not. Most of the food, that is, the winter feed, is already in shelter. The fallout does not fall on it because it has a cover over it.

## FINANCIAL ASSISTANCE TO STATES

Mr. THOMAS. Let us take a look at financial assistance to the States. This is all very interesting reading, gentlemen. Put pages 64 and 65 in the record.

I notice it is broken down here into three parts. Take a look at pages 65, 70, and 74. You have personnel and administrative expense, $18,500,000. These are the city hall boys. You jumped it from $16 to $18 million.

Mr. DURKEE. This is the same professional civil defense work, Mr. Chairman.

Mr. THOMAS. This is the 50–50 matching program. Survival supplies, equipment and training, up about $400,000. Emergency operating centers—this is not a new program. I did not know you had so many already completed. I think you have a coverall figure of about 144.

Let us put pages 64, 65, and 66 in the record.

(The pages follow:)

*Financial assistance to States program summary (direct obligations)*

| Budget program-project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| III. Financial assistance to States | $23,735,049 | $26,950,000 | $30,500,000 |
| A. Personnel and administrative expenses | 14,320,896 | 16,000,000 | 18,500,000 |
| B. Survival supplies, equipment, and training | 4,975,800 | 5,600,000 | 6,000,000 |
| C. Emergency operating centers | 4,438,353 | 5,350,000 | 6,000,000 |

GENERAL

Two of the major programs of the Office of Civil Defense are the development of a nationwide system of fallout shelter space and of community capability for full utlization of shelter space, stocked for survival and supported by a well-defined community plan which will warn the people, direct them to shelters, control and sustain them while in, and immediately after emeregence from the shelter areas. In support of these programs, Federal financial assistance to State and local governments is an important factor in facilitating the orderly development of adequate national civil defense preparedness.

In providing national guidance, the Office of Civil Defense issues definitive direction for the preparation of annual "program papers." Under this system the Federal Government forwards to State and local governments a detailed listing of programs which should receive emphasis at State and local levels in order to develop a balanced civil defense program, oriented around fallout shelter. The content of this national guidance and the priority areas within this guidance may vary from year to year as subelements of the major programs are completed, research results become available, and new programs are defined and can be supported.

It is at the State and local level that the civil defense program must be translated into specific actions, such as obtaining shelter licenses from building owners, stocking the space with emergency supplies, developing shelter-use plans,

recruiting and training radiological monitors, shelter managers, and other personnel with specialized civil defense skills, and generally organizing emergency operations.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| III. Financial assistance to States: | | | |
| A. Personnel and administrative expenses | $14,320,896 | $16,000,000 | $18,500,000 |
| Distribution by object classification: | | | |
| 41 Grants, subsidies, and contributions | 14,320,896 | 16,000,000 | 18,500,000 |

JUSTIFICATION

The objective of the personnel and administrative expenses program is to assist States and other political subdivisions to develop a capability for nonmilitary defense to meet the needs created by an emergency. This program provides a nationally organized and cordinated capability for conducting civil defense operations at State and local level during an emergency. With Federal assistance provided through this program on a matching funds basis, States and other political subdivisions are expected to provide minimum numbers of personnel to fulfill adequately preemergency planning and training requirements. The main intent of this program is to increase operational capability at all levels in support of the many facets of the national civil defense program referred to throughout this Office of Civil Defense budget estimate.

In order to be considered for contributions, a State must submit to the Office of Civil Defense a basic document of plan material, referred to as a State administrative plan. This is a one-time submission. It is kept current by amendments, submitted as required, and is used by the Office of Civil Defense as the basis for determining the eligibility of the State for annual contributions. The State as a part of the submission, submits or makes reference to, plan material concerning personnel administration conducted on a merit basis. This is the basis for determining that State and local civil defense employees are being serviced by an approved merit system which meets Federal standards. The Federal standards applied to this program are the same as those used in other Federal grant-in-aid programs. This requirement has had significant effects in establishing stability in the program and in raising the level of competence of the staff.

Annually, budget, program, and staffing material prepared by the State is submitted as the justification and request for contributions.

Since January 1961, when the program began, the number of participating local civil defense organizations has been steadily increasing. In fiscal year 1961, there were 702 counties and municipalities participating in the program. In fiscal years 1962, 1963, and 1964, this number has increased to 916, 1,258, and 1,387, respectively. It is estimated that 1,600 counties and municipalities will participate during fiscal year 1965, and that 1,880 will participate in fiscal year 1966. In addition, 55 States and territories are currently participating in the program. As the number of local civil defense organizations increased, the number of employees also increased from a base of 3,638 in fiscal year 1961 to 5,346 in fiscal year 1964. It is estimated that the number of paid employees will increase to approximately 5,600 by the end of fiscal year 1965 and to 5,900 by the end of fiscal year 1966.

As of the end of fiscal year 1964, the 1,387 counties and municipalities participating in the personnel and administrative expenses program represented 61 percent of the total U.S. population. The long-range objective is to include as participants each of the 3,050 counties and all localities in the Nation of 5,000 population or over, or a total of approximately 6,000 local governments employing 12,000 people.

PERSONNEL AND ADMINISTRATIVE EXPENSES

Mr. THOMAS. I find over here that in 1961 you had only 3,630; in 1965, 5,346. You want to add this year how many? 300 more?

Mr. DURKEE. Employees, yes.

Mr. THOMAS. Do you know what the goal is? Only 12,000. If we get that goal of 12,000, we will cut out all travel bills, all printing and binding, because these walking delegates will be able to do the job; 12,000 of them.

Let us put page 67 in the record. Let us put the city hall boys, by States, in the record, pages 68 and 69. That is a pretty good table.

(The pages follow:)

*Personnel and administrative expenses*

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Obligations | $14,320,896 | $16,000,000 | $18,500,000 |
| Personnel | 11,544,481 | 12,960,000 | 15,285,000 |
| Travel | 739,620 | 800,000 | 925,000 |
| All other | 2,036,795 | 2,240,000 | 2,290,000 |
| Workload: | | | |
| States and territories participating | 55 | 55 | 55 |
| Counties and municipalities participating | 1,387 | 1,600 | 1,880 |
| Personnel: | | | |
| Staffing level | 5,346 | 5,627 | 5,938 |
| Average salary [1] | $4,318 | $4,606 | $5,148 |

[1] Federal contributions are limited to 50 percent of the average salaries shown.

*Personnel and administrative expenses*

| Fiscal year 1964 | Total | Fund distribution | | | Personnel strength | Fund breakout by purpose | | |
|---|---|---|---|---|---|---|---|---|
| | | State | Subdivision | | | Personnel | Travel | All other |
| | | | Dollars | Number | | | | |
| Alabama | $334,400 | $106,161 | $228,239 | 50 | 135 | $280,035 | $28,935 | $25,430 |
| Alaska | 97,879 | 74,591 | 23,288 | 4 | 32 | 71,259 | 8,695 | 17,925 |
| Arizona | 147,222 | 30,114 | 117,108 | 10 | 53 | 118,979 | 8,792 | 19,451 |
| Arkansas | 154,618 | 105,724 | 48,894 | 18 | 66 | 106,745 | 18,000 | 29,873 |
| California | 1,826,422 | 783,126 | 1,043,296 | 73 | 446 | 1,531,396 | 96,669 | 198,357 |
| Colorado | 154,104 | 35,383 | 118,721 | 22 | 62 | 133,602 | 5,226 | 15,276 |
| Connecticut | 179,136 | 116,536 | 62,600 | 13 | 54 | 146,967 | 6,803 | 25,366 |
| Delaware | 67,757 | 35,000 | 32,757 | 3 | 26 | 56,952 | 2,225 | 8,580 |
| District of Columbia | 82,300 | 82,300 | 0 | ------- | 23 | 70,635 | 1,215 | 10,450 |
| Florida | 400,800 | 89,531 | 311,269 | 42 | 172 | 313,632 | 25,413 | 61,755 |
| Georgia | 409,658 | 166,924 | 242,734 | 83 | 181 | 323,598 | 33,719 | 52,341 |
| Hawaii | 152,926 | 66,786 | 86,140 | 4 | 38 | 140,417 | 5,233 | 7,276 |
| Idaho | 93,300 | 33,825 | 59,475 | 31 | 58 | 67,725 | 10,543 | 15,032 |
| Illinois | 301,260 | 134,350 | 166,910 | 48 | 143 | 217,225 | 24,560 | 59,475 |
| Indiana | 143,049 | 78,850 | 64,199 | 14 | 49 | 112,268 | 7,548 | 23,233 |
| Iowa | 132,891 | 37,827 | 95,064 | 27 | 73 | 98,094 | 11,906 | 22,891 |
| Kansas | 118,834 | 27,315 | 91,519 | 46 | 77 | 95,840 | 5,926 | 17,068 |
| Kentucky | 151,234 | 78,642 | 72,592 | 25 | 68 | 114,795 | 14,643 | 21,796 |
| Louisiana | 326,699 | 228,216 | 98,483 | 11 | 124 | 250,785 | 12,860 | 63,054 |
| Maine | 170,600 | 106,000 | 64,600 | 22 | 75 | 139,790 | 8,972 | 21,838 |
| Maryland | 342,286 | 142,224 | 200,062 | 16 | 110 | 292,928 | 10,758 | 38,600 |
| Massachusetts | 489,200 | 400,544 | 88,656 | 25 | 149 | 382,409 | 18,176 | 88,615 |
| Michigan | 353,380 | 63,541 | 289,839 | 59 | 130 | 308,378 | 18,885 | 26,117 |
| Minnesota | 417,342 | 117,112 | 300,230 | 93 | 178 | 328,249 | 24,972 | 64,121 |
| Mississippi | 157,000 | 81,836 | 75,164 | 29 | 89 | 121,781 | 16,178 | 19,041 |
| Missouri | 230,500 | 81,086 | 149,414 | 41 | 112 | 177,575 | 23,454 | 29,471 |
| Montana | 79,716 | 48,263 | 31,453 | 21 | 41 | 58,008 | 14,833 | 6,875 |
| Nebraska | 127,887 | 59,725 | 68,162 | 23 | 62 | 99,017 | 6,151 | 22,719 |
| Nevada | 97,886 | 24,519 | 73,367 | 9 | 32 | 85,516 | 5,463 | 6,907 |
| New Hampshire | 53,024 | 35,374 | 17,650 | 2 | 18 | 40,536 | 3,125 | 9,363 |
| New Jersey | 393,100 | 180,860 | 212,240 | 36 | 183 | 323,835 | 12,439 | 56,826 |
| New Mexico | 72,774 | 37,000 | 35,774 | 6 | 30 | 55,402 | 6,285 | 11,087 |
| New York | 2,572,400 | 942,884 | 1,629,516 | 27 | 807 | 2,095,041 | 27,944 | 449,415 |
| North Carolina | 384,000 | 119,976 | 264,024 | 49 | 145 | 318,648 | 16,730 | 48,622 |
| North Dakota | 120,812 | 57,250 | 63,562 | 45 | 53 | 87,226 | 18,996 | 14,590 |
| Ohio | 213,990 | 81,062 | 132,928 | 16 | 94 | 170,830 | 9,510 | 33,650 |
| Oklahoma | 165,000 | 83,943 | 81,057 | 24 | 71 | 126,246 | 9,625 | 29,129 |
| Oregon | 28,139 | 0 | 28,139 | 7 | 12 | 21,012 | 3,215 | 3,912 |
| Pennsylvania | 453,115 | 181,208 | 271,907 | 42 | 183 | 389,849 | 13,997 | 49,269 |
| Rhode Island | 97,400 | 54,716 | 42,684 | 5 | 33 | 83,547 | 3,185 | 10,668 |
| South Carolina | 213,900 | 78,272 | 135,628 | 34 | 100 | 172,267 | 11,501 | 30,132 |
| South Dakota | 73,253 | 31,850 | 41,403 | 23 | 40 | 55,060 | 10,866 | 7,327 |
| Tennessee | 166,495 | 74,200 | 92,295 | 19 | 70 | 133,345 | 12,268 | 20,882 |
| Texas | 294,000 | 87,294 | 206,706 | 37 | 135 | 230,815 | 14,835 | 48,350 |
| Utah | 72,000 | 29,750 | 42,250 | 6 | 26 | 58,350 | 3,150 | 10,500 |
| Vermont | 50,897 | 35,453 | 15,444 | 5 | 16 | 34,982 | 6,783 | 9,132 |
| Virginia | 160,201 | 74,940 | 85,261 | 19 | 61 | 114,613 | 13,111 | 32,477 |
| Washington | 262,471 | 122,540 | 139,931 | 17 | 87 | 218,410 | 16,147 | 27,914 |
| West Virginia | 102,940 | 56,752 | 46,188 | 15 | 41 | 76,211 | 6,888 | 19,841 |
| Wisconsin | 412,567 | 128,051 | 284,516 | 67 | 164 | 336,419 | 29,067 | 47,081 |
| Wyoming | 53,900 | 27,016 | 26,884 | 14 | 30 | 41,278 | 4,550 | 8,072 |
| American Samoa | 5,477 | 5,477 | 0 | ------- | 3 | 4,327 | 900 | 250 |
| Guam | 17,300 | 17,300 | 0 | ------- | 6 | 13,162 | 0 | 4,138 |
| Puerto Rico | 131,924 | 122,479 | 9,445 | 10 | 76 | 91,439 | 6,500 | 33,985 |
| Virgin Islands | 9,531 | 9,531 | 0 | ------- | 4 | 7,031 | 1,250 | 1,250 |
| Actual, fiscal year 1964 | 14,320,896 | 6,111,229 | 8,209,667 | 1,387 | 5,346 | 11,544,481 | 739,620 | 2,036,795 |
| Estimated, fiscal year 1965 | 16,000,000 | 6,416,000 | 9,584,000 | 1,600 | 5,627 | 12,960,000 | 800,000 | 2,240,000 |
| Estimated, fiscal year 1966 | 18,500,000 | 6,737,000 | 11,763,000 | 1,880 | 5,938 | 15,285,000 | 925,000 | 2,290,000 |

Mr. JONAS. If you get those 12,000 on the payroll, they will not have to advertise as the housing people do for each community to come and get some more of this easy money.

EMERGENCY OPERATING CENTERS

Mr. THOMAS. Let us take a look at the operating centers. Put pages 74 and 75 in the record. Look at this table at the bottom of the page 74.

(The pages follow:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| C. Emergency operating centers | $4,438,353 | $5,350,000 | $6,000,000 |
| DISTRIBUTION BY OBJECT CLASSIFICATION | | | |
| 41 Grants, subsidies, and contributions | 4,438,353 | 5,350,000 | 6,000,000 |

JUSTIFICATION

In order to establish protected facilities from which State and local officials and their staffs could operate during a civil defense emergency, Federal matching funds were made eligible for State and local emergency operating centers in September 1956. Matching funds had been previously available for communications equipment and control centers to improve the emergency capabilities of States and communities.

An emergency operating center serves as the nerve center of an emergency operating system. It is the focal point for such emergency activities as issuing attack and radiological warnings to the people, directing movements of people to shelters, conducting damage assessment, providing information to inform the public of the emergency situation, and directing emergency operations of the organized forces of Government. This capability must exist if we are to expect a larger number of lives to be saved in the event of an attack.

Federal matching funds on a 50–50 basis are made available to State and local governments for the construction of such emergency operating centers. As of December 15, 1964, 515 emergency operating centers had been completed, or were in process, under the matching funds program. A breakdown by type of governmental unit follows:

*Emergency operating centers*

| Governmental unit | Operational | Completed and not yet operational | Under construction | In planning | Total funded | Nonfunded |
|---|---|---|---|---|---|---|
| States and territories | 13 | 10 | 14 | 11 | 48 | 7 |
| State civil defense operational areas | 5 | 1 | 16 | 11 | 33 | 21 |
| Counties | 48 | 15 | 55 | 44 | 162 | 136 |
| Cities, other local governments | 78 | 22 | 100 | 72 | 272 | 725 |
| Total | 144 | 48 | 185 | 138 | 515 | 889 |
| Total funded and nonfunded | | | | | 1,404 | |

In addition, as of December 15, 1964, 889 emergency operating centers had been established by States and local governments without Federal financial assistance. A national emergency operating system designed to provide geographic coverage for all areas would require approximately 3,300 protected emergency operating centers. It is estimated that a system of protected emergency operating centers providing geographic coverage for all areas could be established in the early 1970's, by continuation of the Federal matching program and the fully financed facilities by State and local governments.

The national fallout shelter survey has identified State and local government-owned facilities with adequate fallout protection, many of which would make suitable emergency operating centers. As a result, the Office of Civil Defense has been emphasizing the low-cost advantages of establishing emergency operating centers in protected space identified in the national fallout shelter survey, and in planning emergency operating centers in protected areas which on a day-to-day basis accommodate functions which could be discontinued for an emergency period. Dual use space of this type will also make for low-cost emergency operating centers.

The average cost of an emergency operating center prior to the full application of the survey results had been approximately $122,000. During fiscal year 1964, the average cost decreased to approximately $63,000, and it is estiamted that during fiscal year 1965 the average cost would level off to approximately $40,000 (Federal share), based on requirement to limit matching Federal funds to only austere fallout protected facilities for local emergency operating centers.

Based upon the revised criteria and technical standards emphasizing austerity, dual purpose uses, and improved functional standards resulting in a lower cost emergency operating center, and the trend of project applications recently received, it is estimated that approximately $6 million will be required during fiscal year 1966. The actual number of emergency operating centers may, however, fluctuate dependent upon demands of State and local governments.

Mr. THOMAS. You already have 144; completed but not yet operational, 48; under construction, 185; in planning, 138; total funded, 589; nonfunded, 889. But you have a total here in all programs of 1,404. This is the program where I said the longer you wait the cheaper it gets. Your construction costs go down about 40 or 45 percent?

CENTER COSTS

Mr. DURKEE. Yes; average cost was about $122,000, and it is now $40,000.

Mr. THOMAS. Let us put the dimensions of some of these buildings in here. This is on a 50–50 matching basis?

Mr. DURKEE. Yes.

Mr. THOMAS. This is for the big cities. How big do they have to be before they get one of these?

Mr. DURKEE. We do not limit it to just big cities, but we have a ratio of size, square footage cost, and people in relationship to the population of the city.

Mr. THOMAS. Would a town of 15,000 or 20,000 rate one?

Mr. DURKEE. They would rate one, but a very small one.

Mr. THOMAS. This is the way you are going to carry on your State and local governments. [Reading:]

The average cost of an emergency operating center prior to the full application of the survey results had been approximately $122,000. During fiscal year 1964, the average cost decreased to approximately $63,000, and it is estimated that during fiscal year 1965 the average cost would level off to approximately $40,000 * * *.

Mr. DURKEE. That is the Federal share.

Mr. THOMAS. Is that the Federal share?

Mr. DURKEE. Yes.

Mr. THOMAS. The total cost, then, would be around $244,000 to start with.

Mr. DURKEE. That is correct.

Mr. THOMAS. Do you see that language written in there?

Mr. DURKEE. That is why I pointed it out. I wanted it to be perfectly clear.

Mr. THOMAS. Gentlemen, let us recess and come back at 1 o'clock.

AFTERNOON SESSION

Mr. JONAS. The committee will please come to order.

## MANAGEMENT

The "Management program summary" is contained on page 76. You want a slight increase in personal services and benefits; the same amount as last year for travel; and a slight decrease in administrative and housekeeping expense. You are asking for a total for management of $14,600,000 against $14,484,700 in 1965.

Mr. DURKEE. Yes, sir.

Mr. JONAS. Put the table on page 76 in the record and also the general statement on that page.

(The page follows:)

*Management program summary (direct obligations)*

| Budget program/project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Management | $13,929,807 | $14,484,700 | $14,600,000 |
| A. Personal services and benefits | 11,711,538 | 12,469,000 | 12,619,000 |
| B. Travel | 649,143 | 700,000 | 700,000 |
| C. Administrative and housekeeping expense | 1,569,126 | 1,315,700 | 1,281,000 |

GENERAL

Overall features of the civil defense system are characterized by the extensive number of organizations involved; the wide diversities of disciplines required; and the depth of participation by Federal, military, and civilian elements that comprise the total national civil defense system. The objectives of management are to support in the most economical and effective manner the programs and functions that must be performed to assure this total national civil defense system. This requires the effective use of manpower resources and the allocation of these resources to those programs which require priority emphasis.

It should also be noted that the civil defense system is a dual-purpose system; much of the intensive effort of organizing, planning, and training at State and local levels is also required to meet and cope with natural disasters. Leadership, support, and efficient management of these basic activities are continuing and growing Federal responsibilities.

As the momentum of the civil defense program continues and expands, increasing workloads are being met by: (1) internal reassignments of present staff to programs of increasing workload; and (2) appropriatael increasing the utilization of other organizations (both Federal and non-Federal, military and nonmilitary) involved in civil defense preparations.

DISTRIBUTION BY OBJECT CLASSIFICATION

Mr. JONAS. Page 77 contains a breakdown by objects. It shows a slight increase in the total. Let us put the object classification table in the record.

(The table follows:)

| | Actual, fiscla year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Distribution by object classification: | | | |
| 11 Personnel compensation | $10,928,206 | $11,635,000 | $11,779,000 |
| 12 Personnel benefits | 783,332 | 834,000 | 840,000 |
| 21 Travel and transportation of persons | 649,143 | 700,000 | 700,000 |
| 22 Transportation of things | 23,292 | 30,000 | 30,000 |
| 23 Rent, communications, and utilities | 529,322 | 462,000 | 462,000 |
| 24 Printing and reproduction | 55,830 | 72,000 | 72,000 |
| 25 Other services | 50,586 | 62,000 | 62,000 |
| Services of other agencies | 712,038 | 590,000 | 552,000 |
| 26 Supplies and materials | 110,012 | 81,000 | 81,000 |
| 31 Equipment | 85,939 | 17,318 | 16,983 |
| 42 Insurance claims and indemnities | 2,107 | 1,382 | 5,017 |
| Total | 13,929,807 | 14,484,700 | 14,600,000 |

POSITIONS

Mr. JONAS. You plan a reduction in permanent positions from 1,202 to 1,000?

Mr. DURKEE. That is the total reduction that has taken place since 1962. We are at 1,000 now.

Mr. JONAS. You are at 1,000 now?

Mr. DURKEE. Yes.

Mr. JONAS. And you are not asking for any increases?

Mr. DURKEE. That is right.

Mr. JONAS. How many are on board now and how many vacancies do you have?

Mr. DURKEE. 998 are on board. We have two vacancies.

TRAVEL

Mr. JONAS. We went into travel this morning. You said most of the travel is out of your regional offices to local communities?

Mr. DURKEE. Yes.

Mr. JONAS. How often do they make visits to local communities?

Mr. DURKEE. One a week and they spend from 2 to 3 days. It is not a turnaround trip of a couple hours. It is like a traveling salesman. They go to a town and stay 2 or 3 days working in the State or at State headquarters. They spent about one-half of their time away from the regional office.

Mr. JONAS. They go on a trip covering more than one visit on each trip?

Mr. DURKEE. Yes, sir.

DISTRIBUTION OF HOUSEKEEPING EXPENSES

Mr. JONAS. I think the table on page 79 is an interesting one and should go in the record.

(The page follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Travel and transportation of persons | $649,143 | $700,000 | $700,000 |
| Travel | 586,314 | 635,000 | 635,000 |
| Vehicle rental | 62,829 | 65,000 | 65,000 |
| Transportation of things | 23,292 | 30,000 | 30,000 |
| Movement of household goods | 20,299 | 20,000 | 20,000 |
| Other transportation | 2,993 | 10,000 | 10,000 |
| Rent, communications, and utilities | 529,322 | 462,000 | 462,000 |
| Rental of space | 741 | 0 | 0 |
| Rental of equipment | 45,786 | 47,000 | 47,000 |
| Telegraph services | 2,382 | 3,000 | 3,000 |
| Teletype services | 21,861 | 18,000 | 18,000 |
| Telephone services | 288,904 | 300,000 | 300,000 |
| Postage | 166,261 | 90,000 | 90,000 |
| Telephone answering service | 1,323 | 2,000 | 2,000 |
| Commercial utility service | 1,429 | 1,800 | 1,800 |
| Other rent, communications, and utilities | 635 | 200 | 200 |
| Printing and reproduction | 55,830 | 72,000 | 72,000 |
| Other services | 50,586 | 62,000 | 62,000 |
| Repair and maintenance, office equipment | 17,310 | 19,000 | 19,000 |
| Repair and alterations | 3,349 | 16,000 | 16,000 |
| Repair and maintenance of vehicles | 395 | 1,000 | 1,000 |
| Training Public Law 507 | 3,885 | 5,000 | 5,000 |
| Artwork | 2,221 | 2,000 | 2,000 |
| Photo service | 4,836 | 2,000 | 2,000 |
| Exhibits | 45 | 0 | 0 |
| Other contractual services | 18,545 | 17,000 | 17,000 |
| Services of other agencies | 712,038 | 590,000 | 552,000 |
| Supplies and materials | 110,012 | 81,000 | 81,000 |
| Office duplicating supplies | 25,457 | 22,000 | 22,000 |
| Office supplies | 51,926 | 33,000 | 33,000 |
| Newspapers and periodicals | 5,611 | 5,000 | 5,000 |
| Commerical reference publications | 1,144 | 1,000 | 1,000 |
| Operational maps and communication supplies | 2,145 | 1,000 | 1,000 |
| Briefing supplies and materials | 2,717 | 2,000 | 2,000 |
| Other supplies | 21,012 | 17,000 | 17,000 |
| Equipment | 85,939 | 17,318 | 16,983 |
| Office furniture and equipment | 34,658 | 4,000 | 4,000 |
| Office machines | 38,415 | 5,000 | 5,000 |
| Books | 5,406 | 1,000 | 1,000 |
| Briefing equipment | 3,627 | 2,000 | 2,000 |
| Communications equipment | 688 | 1,000 | 1,000 |
| Other equipment | 3,145 | 4,318 | 3,983 |
| Insurance claims and indemnities | 2,107 | 1,382 | 5,017 |
| Total other expenses | 2,218,269 | 2,015,700 | 1,981,000 |

STAFFING

Mr. JONAS. We discussed the big table on page 80 this morning.

Mr. DURKEE. Yes, sir.

Mr. JONAS. I was impressed, in looking it over, in seeing that over half of your total personnel are people in grades 13 and above.

Mr. DURKEE. Yes, sir.

Mr. JONAS. You have quite a lot of chiefs and assistant chiefs and special chiefs and quite a topheavy management setup, do you not?

Mr. DURKEE. Let me say a word about the chiefs. This office is not like the usual office. We do not have the percent of clerical personnel as is usual. Most of our people are technicians or specialists; 354 of our people have college degrees or master degrees or Ph. D.'s. We require architects, engineers, scientists and physicists, and various technicians, so we do not have the usual ratio of clerical personnel. In other words, we do not conduct operations within our headquarters.

Mr. JONAS. I accept that as an accurate statement and can understand how you would need more direction than actual operations, but take the Office of Public Information. You have an Acting Assistant Director, 3 supervisory public information specialists, 1 executive assistant, 1 special liaison officer, 1 supervisory public information specialist, 3 public information specialists, 1 supervisory visual information officer, 1 visual information officer, 6 public information specialists, 1 visual information officer, and 15 other people. That is a lot of supervisory personnel in the Office of Public Information. Do you need all those top grade people there?

SUPERVISORY PERSONNEL

Mr. DURKEE. Let me tell you what they are doing. They are responsible for the creation of publications, as they may be needed, and also for the technical accuracy of the publications. This is quite different from a sort of public relations or press release. A very accurate technical job has to be done and you have to pay for the kind of people capable of doing that job.

Mr. JONAS. You have 218 people in your regional offices?

Mr. DURKEE. 444.

Mr. JONAS. You have 218 under grade 13 and all the others are grade 13 and above. That is a lot of chiefs, it seems to me. Have you gone over this setup personally and carefully and can you assure the committee you do not have an overabundance of top grade people in these various offices?

Mr. DURKEE. I have reduced during 1965, Mr. Congressman, GS–14's to 18's by 21. I would describe my major personnel problem in different terms. We need able younger personnel in this organization. I think we are making progress but in order to get the technically qualified people we need we have to pay reasonable salaries.

Mr. JONAS. We understand that. The point is whether you have too many, whether you need all the these people in supervisory positions, not that you do not need fully qualified people but whether you do not have a topheavy organization.

Mr. DURKEE. We are constantly trying to reduce the number of people. We have reduced them by over 200 since we took over. We are constantly trying to get those things that can be done by other elements in the Department of Defense transferred to them. I would be the last to say that at a later date I could not get along with fewer people. I am trying to define my requirements for people as I go along. This table of organization represents as clear a determina-

tion as I can now make of my current requirements. I am sure that in subseqent years I can further reduce. This represents what I need now.

Mr. RHODES. Will you yield?

Mr. JONAS. Yes.

Mr. RHODES. Do you not have people below the grades listed on this chart?

Mr. DURKEE. Oh, yes.

Mr. RHODES. These are just the clerical people in your office?

Mr. DURKEE. Yes, below the grade 13.

Mr. RHODES. How do those numbers compare with the numbers listed?

Mr. JONAS. I made a rough calculation this morning. If I am not mistaken you have 497 under "Other" which would be clerical, and 503 listed by individuals. Is that right?

Mr. DURKEE. I have the breakdown. There are 496 from GS–13 through GS–18, and the balance between that and 1,000, or 504, are GS–12 and below.

Another way of stating it is that the professional grades from GS–12 up represent 52 percent of the personnel as against 48 percent clerical.

Mr. RHODES. Off the record.

(Discussion off the record.)

Mr. DURKEE. We have 171 GS–13's, 74 GS–12's, 35 GS–11's, 2 GS–10's, 30 GS–9's, 14 GS–8's, 55 GS–7's, 91 GS–6's, 137 GS–5's, 43 GS–4's, and 15 GS–3's.

## SHELTER, CONSTRUCTION, AND RESEARCH AND DEVELOPMENT

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Direct obligations: | | | |
| 22.0 | Transportation of things | 1,147 | 1,507 | 2,161 |
| 23.0 | Rent, communications, and utilities | | 490 | 1,992 |
| 24.0 | Printing and reproduction | | 246 | 2,138 |
| 25.1 | Other services | 8,479 | 12,690 | 7,600 |
| 25.2 | Services of other agencies | 13,283 | 27,567 | 49,174 |
| 26.0 | Supplies and materials | 20,166 | | 19,135 |
| 31.0 | Equipment | | 500 | 25,000 |
| 32.0 | Lands and structures | | | 7,800 |
| | Total direct obligations | 43,075 | 43,000 | 115,000 |
| | Reimbursable obligations: | | | |
| 25.2 | Services of other agencies | 147 | 25 | 25 |
| 99.0 | Total obligations | 43,222 | 43,025 | 115,025 |

*Program and financing*

[In thousands of dollars]

| | | Budget plan (amounts for civil defense actions programed) | | | Obligations | | |
|---|---|---|---|---|---|---|---|
| | | 1964 actual | 1965 estimate | 1966 estimate | 1964 actual | 1965 estimate | 1966 estimate |
| | Program by activities: | | | | | | |
| | Direct: | | | | | | |
| | 1. Shelters | 31,250 | 20,200 | 99,700 | 31,276 | 30,578 | 100,000 |
| | 2. Research and development | 10,000 | 10,000 | 15,000 | 11,799 | 12,422 | 15,000 |
| | Total direct | 41,250 | 30,200 | 114,700 | 43,075 | 43,000 | 115,000 |
| | Reimbursable: | | | | | | |
| | 1. Shelters | 20 | | | 20 | | |
| | 2. Research and development | 127 | 25 | 25 | 127 | 25 | 25 |
| | Total reimbursable | 147 | 25 | 25 | 147 | 25 | 25 |
| 10 | Total | 41,397 | 30,225 | 114,725 | 43,222 | 43,025 | 115,025 |
| | Financing: | | | | | | |
| | Receipts and reimbursements from: | | | | | | |
| 11 | Administrative budget accounts | −127 | −25 | −25 | −127 | −25 | −25 |
| 14 | Non-Federal sources [1] | −20 | | | −20 | | |
| 21 | Unobligated balance available, start of year | | | | −16,115 | −14,289 | −1,489 |
| 24 | Unobligated balance available, end of year | | | | 14,289 | 1,489 | 1,189 |
| 40 | New obligational authority (appropriation) | 41,250 | 30,200 | 114,700 | 41,250 | 30,200 | 114,700 |
| | Relation of obligations to expenditures: | | | | | | |
| 10 | Total obligations | | | | 43,222 | 43,025 | 115,025 |
| 70 | Receipts and other offsets (items 11-17) | | | | −147 | −25 | −25 |
| 71 | Obligations affecting expenditures | | | | 43,075 | 43,000 | 115,000 |
| 72 | Obligated balance, start of year | | | | 26,815 | 32,553 | 33,553 |
| 74 | Obligated balance, end of year | | | | −32,553 | −33,553 | −114,053 |
| 90 | Expenditures | | | | 37,338 | 42,000 | 34,500 |

[1] Advances and reimbursements from non-Federal sources are derived from an award made on a claim against a carrier for damages to shelter supplies in transit (76 Stat. 522).

NOTE.—Reconciliation of budget plan to obligations:

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total budget plan | 41,397 | 30,225 | 114,725 |
| Deduct portion of budget plan to be obligated in subsequent years | 14,289 | 1,489 | 1,189 |
| Add obligations of prior year budget plant | 16,115 | 14,289 | 1,489 |
| Total obligations | 43,222 | 43,025 | 115,025 |

APPROPRIATION LANGUAGE

Mr. JONAS. Turn to page 81, "Shelter, construction, and research and development."

Put that page in the record showing the proposed appropriation language.

(The page follows:)

SHELTER, CONSTRUCTION, AND RESEARCH AND DEVELOPMENT

For expenses, not otherwise provided for, necessary for studies and research to develop measures and plans for civil defense; and for continuing shelter surveys, marking, stocking, and equipping surveyed spaces; and construction and equipping civil defense regional operating centers; $114,700,000, to remain available until expended: *Provided*, That such amounts of this appropriation as may be determined by the Secretary of Defense may be transferred, for the purposes of this appropriation, to such appropriations of the Department of Defense available for military construction as he may designate.

TRANSFER AUTHORITY

Mr. JONAS. Why do you need that proviso, this transferability?

Mr. DURKEE. If funds are appropriated to build the Federal civil defense regional operating centers a funding transfer would be made to the Corps of Engineers to undertake the construction.

Mr. JONAS. Read the proviso:

*Provided*, That such amounts of this appropriation as may be determined by the Secretary of Defense may be transferred, for the purposes of this appropriation, to such appropriations of the Department of Defense available for military construction as he may designate.

Mr. DURKEE. That is the purpose of that statement. I would like to have the General Counsel speak to that.

Mr. MANNING. This is available for military construction as the Secretary of Defense may designate. This language is to assure the capability of being able to transfer what we are asking for regional operating centers to the Corps of Engineers to construct those regional operating centers.

Mr. THOMAS. Do you have other construction money?

Mr. DURKEE. No, sir. The only construction we have is for the regional operating centers.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. JONAS. The language seems to cover the whole appropriation.

Mr. DURKEE. It goes to this construction and no other.

Mr. JONAS. I do not understand the reference to military construction.

Mr. MANNING. There is a section in the Department of Defense Appropriation Act which requires the Secretary of Defense to come to the committees before any transfers of funds among Defense agencies that are in the construction account. The purpose of this language is to meet that proviso in the Defense Appropriations Act. If the committee desires, we could insert the words in the proviso that amounts of this appropriation made available is for the construction of regional operating centers.

Mr. DURKEE. Federal regional operating centers.

Mr. MANNING. Yes, Federal regional operating centers, and make the funds available only for that purpose.

Mr. JONAS. How about preparing an amendment to that language and submitting it to us for consideration before we mark up the bill?

Mr. MANNING. Yes, sir.

(The following language was submitted:)

*Provided*, That such amounts of this appropriation made available for construction of Federal regional operating centers may be transferred to appropriations of the Department of Defense available for military construction.

PROGRAM SUMMARY

Mr. JONAS. Put the summary on page 82 in the record. We discussed that this morning.

(The page follows:)

*"Shelter, construction, and research and development" appropriation summary (direct obligations)*

| Budget program and project | Actual fiscal year 1964 | Estimate fiscal year 1965 | Estimate fiscal year 1966 |
|---|---|---|---|
| I. Shelters | $31,276,248 | $30,578,110 | $100,000,000 |
| A. Shelter survey and marking | 7,964,365 | 14,368,678 | 13,300,000 |
| B. Smaller structures survey | 0 | 2,500,000 | 23,000,000 |
| C. Improvement of shelters | 0 | 2,750,000 | 29,200,000 |
| D. Federal regional emergency operating centers | 0 | 0 | 7,800,000 |
| E. Shelter development | 0 | 5,750,000 | 3,000,000 |
| F. Shelter stocking | 23,311,883 | 5,209,432 | 23,700,000 |
| II. Research and development | 11,799,246 | 12,421,890 | 15,000,000 |
| A. Shelter research | 3,350,450 | 4,017,281 | 4,688,000 |
| B. Support systems research | 3,337,818 | 2,861,226 | 4,062,000 |
| C. Postattack research | 2,414,768 | 2,648,533 | 2,865,000 |
| D. Systems evaluation | 2,696,210 | 2,894,850 | 3,385,000 |
| Total obligations | 43,075,494 | 43,000,000 | 115,000,000 |
| Unobligated balance carried forward | +14,289,008 | +1,489,008 | +1,189,008 |
| Unobligated balance brought forward | −16,114,502 | −14,289,008 | −1,489,008 |
| Total, budget plan | 41,250,000 | 30,200,000 | 114,700,000 |

SHELTERS

Mr. JONAS. Turn to page 83, "Shelters program summary."

That is broken down shelter survey and marking; smaller structures survey; improvement of shelters; Federal regional emergency operating centers; shelter development; and shelter stocking.

SHELTER STOCKING

For shelter stocking you want $23,700,000. That is an item the committee has been concerned about for several years. You have a substantial increase over last year.

Mr. DURKEE. We did not apply any new funds to stocking last year, Mr. Jonas.

Mr. JONAS. You mean it was eliminated, was it not? You asked for stocking funds?

Mr. DURKEE. Yes, we did, but when the request was reduced we did not apply any new funds for that purpose.

Mr. JONAS. Well, you got along very well. Why do you want to step this stocking program back up?

Mr. DURKEE. It is not really a stepping up of the program. We need this stock to keep up with shelter spaces located, and on the basis of our experience to date we can stock about 65 percent of the located spaces.

Mr. JONAS. What are you including in your stocking?

Mr. DURKEE. Our fiscal year 1966 stocking request includes medical equipment, sanitation equipment, food, all austere supplies.

Mr. JONAS. Give us an idea what is in a unit.

Mr. DURKEE. You mean per person?

Mr. JONAS. Per person.

Mr. DURKEE. It is hard to break it down in units per person because we do not stock it that way. I can give you an example. The smallest medical kit is for 50 people. There are bandages, splints, various kinds of medicines, ordinary medical supplies.

Mr. JONAS. What food items?

Mr. DURKEE. There are two basic items, a wheat-or-flour-based biscuit and a carbohydrate supplement.

Mr. JONAS. What kind of biscuits?

Mr. DURKEE. They are based on about 700 calories per day per person.

Mr. JONAS. How many days do you stock for?

Mr. DURKEE. Two weeks as a maximum. We have actually had people live on those biscuits for 2 weeks.

Mr. JONAS. 700 calories for 2 weeks?

Mr. DURKEE. No. Per day.

Mr. GIAIMO. Will you yield?

Mr. JONAS. Yes.

STATUS OF PRIOR YEAR STOCKING FUNDS

Mr. GIAIMO. Some of these funds you have for stocking purposes are provided to you until such time as they are expended, are they not?

Mr. DURKEE. Yes; they are.

Mr. GIAIMO. How much do you have on hand from past years?

Mr. DURKEE. We have no funds on hand from past years. This program started about 1962 and we have moved into shelters as of this date 31,203,000 spaces of supplies. We have had money for the procurement of 63 million spaces and most of the deliveries have now been completed. Supplies in warehouses throughout the country are awaiting placement in the shelters.

We have on orders in hand right now about 6 million additional spaces; that is, orders from local civil defense directors indicating that they will pick them up and put them in a shelter.

Mr. GIAIMO. What I am getting at is that from year to year you have been given authorizations for these supplies. Since 1962 how much have they amounted to?

Mr. DURKEE. $135 million plus $9.5 million for radiological equipment, so it is about $146 million, and we are requesting here another $23 million in fiscal year 1966.

Mr. GIAIMO. And how much of the $135 million have you spent?

Mr. DURKEE. The entire sum is spent or committed to the delivery of supplies to shelters.

Mr. GIAIMO. All of it?

Mr. DURKEE. Yes.

Mr. GIAIMO. You have no obligational authority on hand to carry forward?

Mr. DURKEE. None for new procurement of shelter stocks. We believe with the supplies in the warehouses now and with the leadtime required for manufacture, new supplies would start coming into the warehouses as we move the existing supplies out.

Mr. GIAIMO. Do you have to replace these supplies?

Mr. DURKEE. No. We specified a minimum shelf life of at least 5 years. In most cases it is 10 years. For example, the shelf life of these biscuits is indefinite.

Mr. JONAS. Following the table on page 83, put the last paragraph on page 84 and the first paragraph of page 85 in the record.

(The material follows:)

*Shelters program summary (direct obligations)*

| Budget program-project | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| I. Shelters: | | | |
| A. Shelter survey and marking | $7,964,365 | $14,368,678 | $13,300,000 |
| B. Smaller structures survey | 0 | 2,500,000 | 23,000,000 |
| C. Improvement of shelters | 0 | 2,750,000 | 29,200,000 |
| D. Federal regional emergency operating centers | 0 | 0 | 7,800,000 |
| E. Shelter development | 0 | 5,750,000 | 3,000,000 |
| F. Shelter stocking | 23,311,883 | 5,209,432 | 23,700,000 |
| Total obligations | 31,276,248 | 30,578,110 | 100,000,000 |
| Unobligated balance carried forward | +11,867,118 | +1,489,008 | +1,189,008 |
| Unobligated balance brought forward | −11,893,366 | −11,867,118 | −1,489,008 |
| Total budget plan | 31,250,000 | 20,200,000 | 99,700,000 |

GENERAL

Although it is not possible to predict with assurance either the nature of an enemy's intentions or his specific attack objectives, it is possible to make sound probability studies covering virtually the entire range of enemy capabilities. The results of these studies can be used to develop effective plans for both military and civil defense programs.

During the past several years the Department of Defense has conducted intensive probability studies on the effects of various hypothetical large-scale nuclear attacks upon the U.S. population. Among the variable factors considered in these studies were diverse combinations of military, urban-industrial, and population targets with various mixture of air bursts and surface bursts and weapons sizes. In addition, other variables considered included how war starts, enemy loss rates due to malfunction, destruction of incoming weapons by U.S. military defense, duration of attack, accuracy of weapons, and upper wind direction and velocity.

The number of shelter spaces required to protect the entire U.S. population has been developed on the basis of the U.S. Census Bureau population estimates for 1970 of approximately 210 million. An analysis of the daytime-nighttime population distribution in the United States indicates that the influx of population to the largest 28 central cities increases their population during the day by about 30 percent, and to the next 72 largest cities by about 25 percent. In suburban areas surrounding these large central cities, the maximum population generally is the same as the resident population. For the remainder of the United States, a 15-percent daytime increase is estimated. This factor takes into account the fact that approximately 11 percent of this portion of the population attend school and are too far from homes or resident area shelters to reach them within the time-distance limitations noted below. Based on the 210 million 1970 population estimate and the daytime-nighttime analysis, a total national requirement of 240 million shelter spaces has been established for the early 1970's. This requirement is under continuous review to take into account changes in population growth trends and population movement, particularly beyond 1970.

Mr. JONAS. You estimate you will need 210 million spaces by 1970?

Mr. DURKEE. 210 million is the estimated population and 240 million is the number of shelter spaces needed.

Mr. JONAS. Let us put the paragraph on page 86 in the record.
(The paragraph follows:)

While the intensity of fallout radiation decreases rapidly (7 hours after detonation, intensity is reduced to about 10 percent of what it was at 1 hour after detonation; and at the end of 2 days it is reduced to about 1 percent of the 1-hour rate, depending upon the proximity of ground bursts), radiation levels in some areas could be so intense as to require 1 to 2 weeks' shelter occupancy before it would be safe to leave and still limit exposure to nondisabling levels. However, short sorties out of shelter to replenish supplies, take radiation readings, etc., would be possible much earlier. As indicated in Defense Department studies, dangerous levels of radioactive fallout could cover virtually any area of the United States. Such circumstances coupled with the unpredictability of specific locations of high radiation levels, require that certain items necessary to human survival be readily available in shelter. These items include water, food, sanitation, medical, and radiological detection equipment, as well as a communications capability with local government authorities.

SHELTER SURVEY AND MARKING

Mr. JONAS. Now let us take a look at "Shelter survey and marking." Put the table on page 87 in the record.
(The table follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Shelter survey and marking | $7,964,365 | $14,368,678 | $13,300,000 |
| Unobligated balance carried forward | +5,168,678 | 0 | 0 |
| Unobligated balance brought forward | −5,333,043 | −5,168,678 | 0 |
| Total budget plan | 7,800,000 | 9,200,000 | 13,300,000 |
| Distribution by item: | | | |
| 1. Continuing survey | 7,100,000 | 7,100,000 | 7,100,000 |
| 2. Expansion of national shelter survey | 0 | 1,400,000 | 5,500,000 |
| 3. Marking | 700,000 | 700,000 | 700,000 |
| Total budget plan | 7,800,000 | 9,200,000 | 13,300,000 |
| Distribution of budget plan by object classification: | | | |
| 25 Services of other agencies | 7,800,000 | 9,200,000 | 13,300,000 |
| Total budget plan | 7,800,000 | 9,200,000 | 13,300,000 |

CONTINUING SURVEY

Mr. JONAS. The narrative at the bottom of page 87 gives some important information:

Since September 1961, the Department of Defense has conducted the national shelter survey to identify and license existing public shelter space. As of June 30, 1964, there were approximately 121 million shelter spaces identified under this program.

Mr. DURKEE. That figure is now changed to 130 million as of February of this year.

Mr. JONAS. 130 million. [Continuing reading:]

In addition, work underway at end fiscal year 1964 on reanalysis and updating of initial survey results added 3 million spaces in early fiscal year 1965 raising this total to over 124 million.

And you say it is now 130 million?

Mr. DURKEE. Yes.

Mr. JONAS. [Continuing reading:]

At end fiscal year 1964, approximately 62 million shelter spaces had been licensed.

Mr. DURKEE. That figure is now 71 million.

Mr. JONAS. 71 million. And when you license a shelter that means that the owner has agreed to provide space for the stocking?

Mr. DURKEE. Yes; and to mark the building outside and make it available in the event of an attack as a public shelter.

Mr. JONAS. What is the purpose of the license?

Mr. DURKEE. The license is a legally enforcible agreement which he can terminate after 90 days' notice. It is an obligation on his part and it is a vehicle to make him understand what his obligations are under the program. It is also agreed to by the local government. So it is a three-way proposition. The local government agrees to be responsible for the care and maintenance of the supplies in the building.

Mr. GIAIMO. Will the gentleman yield?

Mr. JONAS. Yes.

STATUS OF PRIOR-YEAR SHELTER FUNDS

Mr. GIAIMO. In the shelter program, how much do you have unobligated that has accumulated?

Mr. DURKEE. In shelter funds we had $11,867,118 unobligated as of the end of fiscal year 1964. We will spend those funds in this fiscal year, that is, fiscal year 1965. Of the fiscal year 1965 appropriations, which were $20,200,000, we will have remaining at the end of the fiscal year to carry over into fiscal year 1966, $1,489,008.

Mr. GIAIMO. And how much do you have total on hand as of now? Are those the only 2 years?

Mr. DURKEE. Yes.

Mr. GIAIMO. All funds prior to that are obligated and spent?

Mr. DURKEE. Yes.

Mr. GIAIMO. So that the total amount as of now is how much?

Mr. DURKEE. We can furnish the exact status for the record as of this moment.

Mr. GIAIMO. It is somewhere in excess of $12 million?

Mr. MCKINNEY. The $11 million applies to what was carried into 1965 and we have used half of it, I am sure.

Mr. DURKEE. But we have not used all the funds for 1965.

Mr. GIAIMO. I want to know how much you have on hand at the present time and the unobligated authority you have.

Mr. DURKEE. As of the end of this fiscal year we will only be carrying over $1,489,000.

Mr. JOHNSON. We had brought forward from fiscal year 1964 $11.8 million which when added to the $20.2 million from the 1965 appropriation, makes a total availability of $32 million. Through February we have committed $20,466,000.

Mr. GIAIMO. So you still have $11 million.

SHELTER SURVEY

Mr. JONAS. You want to spend $7.1 million updating the shelter program; you want to spend $5.5 million expanding the national shelter survey; and you want to spend $700,000 marking shelters. Is that correct?

Mr. DURKEE. That is correct, sir.
Mr. JONAS. And that makes $13,300,000?
Mr. DURKEE. Yes, sir.

SMALLER STRUCTURES SURVEY

Mr. JONAS. Let us turn to page 91 and discuss briefly the smaller structures survey. This is for shelters in homes and apartment houses and smaller structures?
Mr. DURKEE. This is for the smaller structures survey. There are two parts, one is smaller structures and the other is homes.
Mr. JONAS. The total amount requested for this program is $23 million. You want to spend $7 million on a single family home survey?
Mr. DURKEE. Yes.

SINGLE FAMILY HOME SURVEY COSTS

On that point, if I might, I could respond to the question of the gentleman from Ohio as to the cost of the questionnaire. The total printing cost was $2,138,000. The breakdown of the cost is as follows: $178,400 for the fiscal year 1966 costs of that questionnaire to the homeowner.
Mr. MINSHALL. How many questionnaires is that?
Mr. DURKEE. About 8 million during fiscal year 1966.
The postage of sending out the questionnaires is $446,000 for fiscal year 1966.
The postage for return of the questionnaire is $595,000 for fiscal year 1966.
The printing of the kit of materials that we send back to the homeowner in response to his filled questionnaire is $1,712,200 for fiscal year 1966.
I might give you part of the information that will go back to the homeowner in the kit.
Mr. MINSHALL. What is the cost of the whole program?
Mr. DURKEE. The whole thing works out to be about $2 a space found in a home, and the average number of spaces, that we believe from tests we have run, that we will find in a home is four spaces, so it will be about $8 per home that has acceptable fallout shelter for the total operation, the questionnaire mailed out and the return, the computation on a computer, putting it on a card, plus the kit.
Mr. THOMAS. It figures about 20 or 25 cents cost of printing and mailing?
Mr. DURKEE. That is right.
Mr. MINSHALL. Mr. Chairman, it will cost $8 per home for the whole thing.
Mr. DURKEE. That is right, if you charge the total costs against only the homes that meet our minimum protection standards. But if you charge the total costs against the total number of homes investigated—that is 25 million homes—the program costs only 84 cents per home. This is existing protection in a home that the homeowner does not know about and that would protect him in the event of an attack. It is pretty cheap protection.
Mr. THOMAS. We hope.

Mr. DURKEE. We do not have to hope. It will protect the people.

Mr. THOMAS. If it does you do not need to spend that $7 million.

Mr. DURKEE. Yes; we need to spend that $7 million to find the location of it.

Mr. THOMAS. If a man lives in the home he knows about it.

Mr. DURKEE. No; he does not.

Mr. THOMAS. You cannot put little pants on grown people, you know. They have been taking care of themselves a long time and if their property will protect, they will make use of it.

Mr. MINSHALL. Why would it not be feasible to do this through newspaper advertising?

Mr. DURKEE. Because the computation of the protection in the home is a technical computation.

Mr. MINSHALL. As the chairman says, you cannot put little pants on grown people. They can read, they can understand, and they can rationalize. Why would they have to be led by the hand and told "This is the best corner in which to hide"?

Mr. DURKEE. They want to know if the basement is adequate and for how many people. There are five people in my family. I would want to know if the protection in my basement does or does not cover five people. If it only covers three, I want to know what to do to cover five. The only other alternative is to advise them to build a shelter in the backyard which will cost $200 or $250.

### TAX CREDIT FOR HOME SHELTER CONSTRUCTION

Mr. MINSHALL. Did you ever think of giving them a tax credit if they did something like that?

Mr. DURKEE. It has been suggested. If you give a tax credit it will benefit those that can best afford it and not those who cannot afford it. Tax credit makes small difference to people who can afford $200 or $250 for a shelter.

Mr. MINSHALL. It might be an incentive regardless of income.

Mr. DURKEE. It really does not benefit those that need it most.

### HOME SAMPLING SURVEYS

Mr. JONAS. Have you finished the 25,000 sampling?

Mr. DURKEE. No; that 25,000 sampling is now underway by the Bureau of the Census.

Mr. JONAS. Are you getting any results from it yet?

Mr. DURKEE. No. I have had a previous survey done on a less scientific basis, just a pickup of the questionnaire in two or three offices, and I got about a 25-percent return.

### NUMBER OF HOMES WITH BASEMENTS

Mr. JONAS. You say in the justifications that Census Bureau data indicate that nationwide there are approximately 25 million homes that have basements. How does that compare with the total number of homes in the United States, what percentage?

Mr. READ. Twenty-five to forty-five million total. That would be over half.

Mr. JONAS. You say there are only 45 million homes in the United States?

Mr. DURKEE. We are talking about single-family homes.

Mr. JONAS. And 25 million of those have basements?

Mr. READ. Yes.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. JONAS. Most of the new houses being built do not have basements. I would like you to check that number with the housing people. I doubt you will find half of the houses with basements.

Mr. DURKEE. We will check into that.

OVERALL SHELTER PROGRAM

Mr. JONAS. This is a 3-year program?

Mr. DURKEE. Yes.

Mr. JONAS. And you want $7 million a year for 3 years to mark 10 million spaces. Is that right?

Mr. DURKEE. To locate 10 million spaces.

Mr. JONAS. Assuming for the purpose of argument there are 50 million homes and you will locate 10 million spaces in those that have basements, what will you do for the other 40 million?

Mr. DURKEE. They do not have basements.

Mr. JONAS. The reason I ask that question, if this is a real serious problem and if this protection is vital we are spending an awful lot of money to take care of a relatively few in our population.

Mr. DURKEE. Let us just assume we do find the 10 million spaces in those homes. We have already found 130 million spaces in large buildings. That makes a total of 140 million spaces. We believe we will find in another part of this program, which is a survey of smaller structures, another 13 million shelter spaces. We are now up to 153 million shelter spaces. So it is all part of one coherent program.

We have another proposal to place ventilation kits in these existing shelters and that will increase the inventory, adding 33 million spaces.

Mr. JONAS. But you still have 40 million houses with no protection.

Mr. DURKEE. Many of those homes will be located near shelters in the larger buildings or smaller buildings, and with these programs I have described at the end of 1970 we will have about four-fifths or three-fourths of the population, somewhere within that range of the population of 210 million, covered by adequate shelters.

Providing the remainder of the spaces needed presents different problems and we will come forward with an answer to that problem a little later. We are now taking the shelter spaces that exist in the 57 cities around the country, and shelter assignments are being made to those shelter spaces. This tells the people what to do and tells them whether or not there is a shelter space for them in an existing building. If there is not, all we can do is advise them to take last minute steps which would be piling up mass material to shield them.

Terre Haute, Ind., with a population of 100,000, has enough shelter spaces for everybody. They have a complete civil defense program. They have an emergency operating center and a warning system and everybody in the town is told where to go, and they have even been able to take care of visitors in the town, so when a man comes to a motel

he is told where his shelter space is. This what the civil defense program is and how it relates one segment of the program to another.

SHELTER SITUATION IN CLEVELAND

Mr. MINSHALL. Take a city like Cleveland, Ohio. You have places designated as public shelters in the downtown area.

Mr. DURKEE. Yes.

Mr. MINSHALL. Do you envision, in the event of an attack, that the people living in the suburbs can go to the downtown area?

Mr. DURKEE. No. The assumption is, you have no more than 30 minutes.

Mr. MINSHALL. But you have said you have 130 million spaces, and some of these people in a traffic jam are more than 30 minutes away from these 130 million spaces.

Mr. DURKEE. Yes. So some will not be assigned to those spaces.

Mr. MINSHALL. Quite a few.

Mr. DURKEE. Yes. One of the purposes of our plan is to find out how many of those spaces we have in a nighttime attack would be unable to be reached.

Mr. GIAIMO. Most of them would not be with the public facilities shut down and taxicabs at a minimum there would be a monumental traffic jam.

Mr. DURKEE. That is right. We have said the number of shelter spaces necessary is greater than the total population.

Mr. MINSHALL. How far along is the program in Cleveland?

Mr. DURKEE. Cleveland has a resident population of 876,000 people.

Mr. MINSHALL. How about the suburban area? The metropolitan is over 2 million.

Mr. DURKEE. I would have to break it down. Taking the central area of Cleveland, they have 1,039 facilities located with 1,419,000 spaces.

Mr. MINSHALL. Downtown?

Mr. DURKEE. In the city of Cleveland.

Mr. MINSHALL. But that does not take care of the people in the suburbs.

Mr. DURKEE. I cannot answer your question categorically about the city of Cleveland until I have completed the study we intend to do in 57 cities.

Mr. GIAIMO. I just wondered what your figures were.

Mr. DURKEE. These are the figures in terms of the spaces that have been found. What we are doing is taking the spaces that have been found and applying them to people in the 30-minute time. In the District of Columbia there is more than enough shelter space for everybody.

SMALL STRUCTURES SURVEY

Mr. JONAS. Let us take a look at the small structures survey. You want to spend $49 million over 4 years identifying spaces in smaller structures?

Mr. DURKEE. That is right.

Mr. JONAS. Your bigger program applicable to 50 people or more is the main program?

Mr. DURKEE. That is right.

Mr. JONAS. And this is the subsidiary one that marks the spaces in smaller structures?

Mr. DURKEE. That is right.

Mr. JONAS. It will cost $45 a facility?

Mr. DURKEE. Yes.

Mr. JONAS. $3.77 per potential shelter space. That is just for marking?

Mr. DURKEE. That is for the survey. The cost of the survey for shelter space in a larger shelter is 69 cents and $3.77 for the space in the small structure. The average cost is $1 a space.

Mr. JONAS. You will have this work done by the Corps of Engineers but you will pay for it?

Mr. DURKEE. That is correct.

Mr. JONAS. That accounts for some of this large amount of money in here for "Other services"?

Mr. DURKEE. That is correct.

Mr. JONAS. Any questions on this item?

IMPROVEMENT OF SHELTERS

Mr. JONAS. After you have these spaces identified, you want to improve them. You want to spend $29,200,000 next year doing that. Is that correct?

Mr. DURKEE. Yes.

Mr. JONAS. Put the table on page 94 in the record, Mr. Reporter.

(The table follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Improvement of shelters | 0 | $2,750,000 | $29,200,000 |
| Unobligated balance carried forward | 0 | 0 | 0 |
| Unobligated balance brought forward | 0 | 0 | 0 |
| Total budget plan | 0 | 2,750,000 | 29,200,000 |
| Distribution by item: | | | |
| 1. Portable ventilation kit | 0 | 500,000 | 25,000,000 |
| 2. Trapped water equipment | 0 | 1,750,000 | 3,600,000 |
| 3. Shelter communications equipment | 0 | 500,000 | 600,000 |
| Total budget plan | 0 | 2,750,000 | 29,200,000 |
| Distribution of budget plan by object classification: | | | |
| 25 Other services | 0 | 500,000 | 600,000 |
| Services of other agencies | 0 | 1,750,000 | 3,600,000 |
| 31 Equipment | 0 | 500,000 | 25,000,000 |
| Total budget plan | 0 | 2,750,000 | 29,200,000 |

TRAPPPED WATER EQUIPMENT

Mr. DURKEE. One of the things we are doing, for example, is finding the amount of water that is already in a building. The Congressman from Ohio asked about the sanitation facilities. We found in every one of the buildings that you and I work in, there is a tremendous amount of water. You may not really realize it, but trapped in the pipes are large quantities of water. You do not have really the prob-

lem of storing water for survival purposes in large part, although we do provide a container for that purpose. Water is already stored in the pipe. In the Capitol Hill buildings there is practically enough water for 2 months for everybody who could be sheltered.

One of the items here, for those buildings where it is necessary, and we hope not very many buildings will require it, is to provide a water exit or tap in the shelter area where it does not now exist.

VENTILATION KITS

The major item under the head "Improvement of shelters" is for portable ventilation kits.

Mr. JONAS. $25 million.

Mr. DURKEE. $25 million. The purpose of this item is very simple. The 130 million spaces that we have located is the amount of space in terms of the people who can be accommodated in relationship to the circulation of air. For example, you could get a lot more people in basements of buildings if you had better air circulation. This is true of some other parts of the building. The purpose of the ventilation kit is to provide that circulation of air in cheap form. This is $250 a kit, or $2.50 per shelter space, and will provide a mechanical means of having that air circulation. It will add, in areas of buildings for which the barrier shielding already exists, 33 million spaces to the current inventory. That is the sole purpose of that item.

Mr. JONAS. Is this designed to take care of shelters in all three programs?

Mr. DURKEE. Yes, sir.

Mr. JONAS. A single family unit?

Mr. DURKEE. Except the homes.

Mr. JONAS. But public shelters?

Mr. DURKEE. Yes. Let me give you the ratio of the cost. If you did this by mechanical ventilation, air-conditioning or air circulation system, it would cost about $11.90 per space. That is for a simple mechanical ventilation system. This costs $2.50.

Mr. JONAS. Let us put the narrative on pages 94 and 95 in the record. I think many of our colleagues are interested in the subject of ventilation, and this is good reading and makes it pretty clear.

(The material follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Portable ventilation kits | 0 | $500,000 | $25,000,000 |

As a result of Office of Civil Defense research activity designed to seek lower cost methods of attaining national shelter objectives, a portable packaged ventilation kit has been developed. The unit is compact, portable, versatile, and relatively inexpensive. It requires only 4 square feet of floor space when stored on end, and may be readily moved to accommodate shifts in population and relocated as needed when older buildings are razed. The unit is powered by an electric motor but may be operated by a pedal drive device if electricity is not available. Each kit will provide sufficient ventilation for at least 100 people.

The ventilation kit supplies oxygen and removes carbon dioxide, moisture, and heat. The kit works by exhausting stale air from a remote area of the

shelter by means of a plastic duct, causing replacement air to be pulled into the shelter through all available openings, i.e., door openings, stairwells, etc. The air entrance velocities are so low that fallout particle ingress is prevented by gravity separation posing no threat of contamination. Filters are, therefore, not required.

At an estimated unit cost of $250, shelter can be added to the national inventory at an average cost of $2.50 per shelter space. This cost per space compares to estimates resulting from the initial shelter survey of approximately $11.90 per space for permanent ventilation improvements. Funds are requested in fiscal year 1966 for the purchase and delivery to shelter of 100,000 packaged ventilation units at a cost of $25 million, thus adding 10 million habitable shelter spaces to the national inventory.

TRAPPED WATER EQUIPMENT

Mr. JONAS. Trapped water equipment. We have already discussed that. That is in the budget at $3.6 million for 1966. Insert the narrative on page 96 in the record.

(The material follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Trapped water equipment | 0 | $1,750,000 | $3,600,000 |

From the inception of the shelter stocking program, water stored in drums has been regarded as a supplement to water already available in buildings containing shelter. If the normal water supply were not available in shelters the water provided in the drums would meet minimum survival needs until other sources of water could be made available.

To determine the potential of water trapped in buildings, the Corps of Engineers, under Officer of Civil Defense direction, performed 2 sample surveys of aproximately 1,000 buildings each in all areas of the country. Results of these surveys indicate that there is trapped water in more than 90 percent of buildings containing shelters. In some cases, however, it would be necessary that minor adaptations be made to the existing plumbing system to make this trapped water available to shelter areas. These surveys also indicated that approximately one-half of the buildings contained trapped water for upward of 7 quarts of water per shelter space. Accordingly, in fiscal year 1965 funds were requested and were subsequently appropriated by the Congress to initiate such an improvement program.

As a result, the Corps of Engineers and the Bureau of Yards and Docks, following Office of Civil Defense prescribed instructions, are in the process of modifying water systems for selected facilities.

It is estimated that with fiscal year 1965 funds in the amount of $1,750,000, trapped water can be made available in 8,750 facilities, presently inadequately stocked because of lack of stored water.

Additional funds in the amount of $3.6 million are being requested for fiscal year 1966 to continue this program. It is estimated that 18,000 additional facilities would be modified.

Mr. JONAS. I was interested to see the comment that the surveys made by the Corps of Engineers indicate that this trapped water amounts to about 7 quarts per shelter space.

Mr. DURKEE. That is 7 gallons, I believe.

Mr. JONAS. Upward of 7 quarts of water per shelter space.

Mr. DURKEE. Twenty-eight quarts.

Mr. JONAS. In the second paragraph on page 96 it says:

These surveys indicate that approximately one-half of the buildings contained trapped water for upward of 7 quarts of water per shelter space.

Mr. DURKEE. I think there is a later figure than that which is larger.

Mr. ROMM. It turns out these were weighted overly by the very large structures in older parts of the city. The average we find is about 28 quarts per shelter space, average across the Nation. Very large buildings would be down at the lower end. The average across the country would be 28 quarts per capita.

Mr. JONAS. That is a substantial increase over the 7 quarts indicated in the budget.

Mr. DURKEE. Yes, it is.

COMMUNICATIONS EQUIPMENT

Mr. JONAS. Insert the narrative on pages 96 and 97.

(The material follows:)

| | Actual, fiscal year 1965 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Shelter communications equipment | 0 | $500,000 | $600,000 |

The emergency broadcasting system provides for one-way communications from State and local governments to the public at large, for example, to broadcast information on fallout conditions over a large area. In addition, there is a requirement for two-way communications between individual shelters and the local authorities for reporting purposes and to request assistance and information.

A communications equipment survey was made on a sampling basis of the shelter areas of 2,600 buildings and 670 special facilities in urban and rural areas. These findings, when projected to a national basis, indicated that approximately 50 percent of the shelter areas would have telephone service available. In conjunction with the national shelter survey (see "Expansion of National Shelter Survey," p. 88) specific information on the availability of telephone service is being obtained. It is estimated that approximately 70,000 shelter areas are located in licensed facilities which have telephone service that could be extended to the shelter area.

To meet this communications need, Office of Civil Defense will, in fiscal year 1965 initiate a program of installing a telephone jack in shelter areas not otherwise provided with telephones. Also, the Office of Civil Defense will install a second jack in the normal use area and modify a telephone for use with the jack. The telephone jacks would be installed on the existing telephone circuit available in the structure. All circuits on which jacks are installed would be given a greater assurance by the local telephone company of an outgoing call capability.

Upon notice of an emergency the modified telephone instrument would be brought from another part of the building where it had been in normal use, plugged into the jack in the shelter area, and used for two-way communication between shelters and the local government emergency operating centers or control points.

Installed telephone jacks and modified telephones will be identified to show the purpose of the instrument.

Additional funds in the amount of $600,000 are being requested in fiscal year 1966 to complete this 2-year program. (Average cost per telephone jack has been estimated at $7.50.)

Mr. JONAS. You want to put some equipment in these spaces, and that item is down at $600,000. That is for a communications system, is that correct?

Mr. DURKEE. That is correct. That is putting a telephone jack in the shelter areas so there would be telephone communications in

those areas where it does not now exist. The telephone company tell us they will do this for us.

Mr. JONAS. In the public shelters?

Mr. DURKEE. Just in the public shelters.

Mr. JONAS. Will this $600,000 pay for the installation of the telephones?

Mr. DURKEE. No. Just for the jack. If there is a telephone with a jack upstairs somewhere in the building, we will just put a jack in the shelter area, wherever that is. If there is a telephone without a jack, will put a jack in both places so the telephone can be moved.

Mr. JONAS. How do you know far enough in advance of fallout to get the telephone people to connect up these phones?

Mr. DURKEE. This is the function of the shelter manager and the people we are training to manage the shelters. They will know there is a telephone for this purpose and move the telephone there and plug it in the jack.

Mr. JONAS. Any questions on this item?

FEDERAL REGIONAL EMERGENCY OPERATING CENTERS

Let us turn to "Shelters," page 98. These are your Federal regional emergency operating centers, is that correct?

Mr. DURKEE. Yes.

Mr. JONAS. We have already discussed that.

Put the table at the top of page 98 in the record. I suspect it would be well to put the narrative in, two paragraphs at the bottom of that page, also, to show what we are talking about.

Any additional questions?

Mr. DURKEE. This is a joint facility, Mr. Chairman, for all Federal agencies, as noted in the body of the text here. We have representatives of the Office of Emergency Planning here.

Mr. JONAS. Do you want some more of this narrative in the record?

Mr. DURKEE. I think you might put some more of the narrative from page 99, the first two paragraphs. The next two paragraphs are really history.

Mr. JONAS. Also put the first three paragraphs of page 99 in the record. That will wrap that up.

(The material follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Federal regional emergency operating centers | 0 | 0 | $7,800,000 |
| Unobligated balance carried forward | 0 | 0 | 0 |
| Unobligated balance brought forward | 0 | 0 | 0 |
| Total budget plan | 0 | 0 | 7,800,000 |
| Distribution of budget plan by object classification: | | | |
| 32 Lands and structures | 0 | 0 | 7,800,000 |
| Total budget plan | 0 | 0 | 7,800,000 |

JUSTIFICATION

Effective direction and control under emergency conditions requires a nationwide network of Federal, State, and local operating centers capable of performing essential governmental functions. These operating centers must be designed,

and are being designed, to meet the emergency needs of the specific element of Government located therein. In the event of an emergency, or during periods of increased tension, these operating centers will become the focal points for communication to the public and for the interchange of emergency information necessary for an effective civil defense preattack and postattack operation.

Federal direction and control would emanate from eight Federal regional emergency operating centers and the necessary fund support for the construction of such centers is included under this budget project. A center is planned for each of the existing eight regional offices of the Office of Civil Defense and the Office of Emergency Planning, to be located in the general vicinity of the current regional sites. One center has been completed (Denton, Tex.). Appropriations were approved in fiscal year 1962 for a second center but construction has not started. Funds for construction of the remaining six centers are included herein.

State and local command and control operations in an emergency will be carried out in centers established for those levels of Government with Federal grant-in-aid funds covering one-half of the cost. Some 515 of these non-Federal centers are in operation or in process and the link to the Federal Government through the Federal centers is required before the State and local centers will be completely effective in emergency measures to enhance survival and recovery. Fund support for State and local emergency operating centers is included under the "Financial assistance to States" budget program within the O. & M. appropriation (pp. 64 to 75) and are financed on a matching funds (50-50) basis.

These Federal regional emergency operating centers will have a capability of operating independently under emergency conditions and directing the immediate survival operations and the subsequent recovery effort in their respective geographical areas. Each facility will furnish a permanent protected operational headquarters for the daily use of the regional staff, as well as to permit the regional staff and other Federal agency personnel to direct the execution of essential civil defense functions under emergency conditions. Each regional center will be designed to provide adequate protection from radiation and minimal blast protection and will be austerely designed to house the daily regional functions of the Office of Civil Defense and Office of Emergency Planning during peacetime. During emergencies, these centers will serve as regional operating and command posts. The facility at region II will include provision for the protected housing of the existing OCD computer capability. To keep costs to the minimum, construction plans and final site selections for these centers will be made to take advantage of existing military facilities in order to utilize appropriate improvements already in being, such as land, access roads, utility connections, etc.

The first of these centers was authorized in September 1959 and has been constructed near Denton, Tex. This structure contains approximately 50,000 square feet and is designed to house approximately 500 persons under emergency conditions. The total cost of this project, including planning, design, and construction, was approximately $2.7 million. This cost includes the structure and all fixed equipment except furnishings and communication equipment.

Since initiation of the Denton project, revised standards have been developed for these Federal centers reducing the space requirements and the protection criteria. Detailed engineering studies based on these revised standards indicate that the remaining protected centers can be constructed for an average cost of about $1.4 million each, approximately one-half of the cost of the Denton center. Figure 20, page 101, provides a rough sketch of a typical center. The centers will include 33,000 square feet of usable protected space, accommodating an emergency operations staff of 317 people.

Mr. JONAS. Any questions on this?

Let us take a look at shelter development on page 102.

Mr. COSGROVE. Might I, on behalf of the Office of Emergency Planning, supplement this with a brief statement?

Mr. JONAS. Yes, we will be glad to have it.

Mr. COSGROVE. We have a particular interest in this. We want especially to support OCD in this project.

Mr. Chairman and members of the committee, for this country to survive a nuclear attack, preserve its national entity and function as a nation, the Federal Government must be able to function as effec-

tively as possible under any emergency conditions at both headquarters and in the field.

The Office of Emergency Planning has reliable plans for survival of the seat of Government from which Presidential and other national decisions may emanate. Our readiness to meet an attack, however, will be far from adequate unless provision is made for decentralized Federal control and leadership. This need has been clearly borne out as a result of careful analyses of experience in national test exercises and the findings of a Presidential study group (the Emergency Planning Committee). Under Executive Orders 10952 and 11051 we are coordinating for the President all aspects of the nonmilitary defense effort involving virtually every major agency comprising the Federal executive branch. Regional centers are a vital part of this preparedness effort.

The major objective of our planning for the Federal regional centers is the assurance of a survivable field organization in which all parts can act in concert in carrying out Presidential and other national decisions and at the same time be capable of operating independently if this becomes necessary.

The first center, in OEP–OCD region 5, has been constructed near Denton, Tex. It is now in day-to-day operation, housing OEP and OCD regional staffs, and representatives of some of the other Federal agencies having primary related functions. The centers in the other OEP–OCD regions, similarly, would be peacetime operational headquarters and, in an emergency, become the protected facility at and from which the emergency activities of Government would be directed and coordinated.

Specifically, the Federal regional centers will:

1. Provide a day-to-day capability for coordination of the nonmilitary defense activities of the Federal agency field establishment.

2. Provide a capability in the field to carry out Presidential and other decisions made at the seat of government and to function in support of survival activities, resource management and stabilization, as well as for the continuity of Government.

3. Provide the facilities where, in an emergency, Federal agency representatives of appropriate standing and knowledgeable in the scope of operations of their agencies can be brought together, working with the same information.

(*a*) To coordinate the initial efforts of their agencies through actions toward common objectives; and

(*b*) Be in a position, during a buttoned-up period, to convey appropriate information and guidance to their staffs at their own dispersed emergency facilities from which their separate operations would be carried out.

All of the agencies of Government which have field responsibilities will have representation at each of the centers in an emergency to assure, from the beginning, necessary postattack operations. Each State in the region will have a representative at the Federal regional centers.

It is the responsibility of the OEP, in a postattack situation, to use the Federal emergency centers as the command post for regional, or if necessary, national mobilization of all the Government resources in the restoration of our economic viability.

The Presidentially approved plan is for OEP to form itself into an Office of Defense Resources in wartime, and in that capacity to direct, for the President, the efforts of the whole Federal Government toward recovery. We would discharge the regional aspect of this role from Federal regional centers. The requested centers, therefore, are of the utmost importance. To sum it up, these will provide a vitally needed capability for coordination and use for day-to-day preattack planning and postattack operations for the whole range of defense mobilization responsibilities.

Mr. JONAS. What are you doing at Denton?

Mr. COSGROVE. Denton is an example. What exists there now is some representation of other Federal agencies doing preparedness work. In an attack or emergency situation, we would bring together representatives of all the pertinent Federal agencies to be in one place working with the same information on the problem at that end.

Mr. JONAS. Is the Denton facility being used?

Mr. DURKEE. Yes. The Office of Civil Defense and Office of Emergency Planning offices are both located there. We both would operate there in the event of emergency.

Mr. COSGROVE. We would use this as a place from which we could conduct survival activities and resume management and stabilization as well as provide continuity of the Government for the relevant agencies of the executive branch.

Mr. JONAS. Do you think eight scattered around the country will be sufficient?

Mr. COSGROVE. Yes, sir.

Mr. JONAS. That is the total program?

Mr. COSGROVE. Yes, sir.

Mr. JONAS. Any questions?

SHELTER DEVELOPMENT

If not, let us turn to page 102, "Shelter development." That is a $3 million program. Let us put page 102 in the record.

(The page follows:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Shelter development | 0 | $5,750,000 | $3,000,000 |
| Unobligated balance carried forward | 0 | 0 | 0 |
| Unobligated balance brought forward | 0 | 0 | 0 |
| Total budget plan | 0 | 5,750,000 | 3,000,000 |
| Distribution by item: | | | |
| 1. Design development | 0 | 1,750,000 | 3,000,000 |
| 2. Community shelter planning | 0 | 4,000,000 | 0 |
| Total budget plan | 0 | 5,750,000 | 3,000,000 |
| Distribution of budget plan by object classification: | | | |
| 25 Other services | 0 | 4,750,000 | 2,000,000 |
| Services of other agencies | 0 | 1,000,000 | 1,000,000 |
| Total budget plan | 0 | 5,750,000 | 3,000,000 |

*Justification*

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 1. Design development | 0 | $1,750,000 | $3,000,000 |

Every building is a natural shield against fallout radiation. Some buildings, however, are better than others. As of June 30, 1964, 77 million shelter spaces were found with protection factor of 100 or more and an additional 44 million spaces with protection factor of 40 to 99. Many other buildings would have provided reasonably adequate protection, but they had weak points which nullified otherwise good protection. If these weak points could have been detected by someone knowledgeable in radiation shielding analysis during the initial design phase of the project, then "no-cost" design changes could have been incorporated to maximize the protection without exceeding construction project cost limitations.

Mr. JONAS. Any comments on that? I think we are familiar with it.

Mr. DURKEE. I think that covers what we covered earlier on architects and engineers.

SHELTER STOCKING

Mr. JONAS. Shelter stocking, page 110. We have already gone into that, but I do not think we put the table on page 110 in the record. Let us put it in at this point, and let us put in the narrative following it on page 110 to wrap this all up at one point. Maybe we had better put page 111 in the record, and the table on page 112, which is a cumulative table or a summary table pertinent to this particular matter.

(The pages follow:)

| | Actual fiscal year 1964 | Estimate fiscal year 1965 | Estimate fiscal year 1966 |
|---|---|---|---|
| Shelter stocking | $23,311,883 | $5,209,432 | $23,700,000 |
| Unobligated balance carried forward | +6,698,440 | +1,489,008 | +1,189,008 |
| Unobligated balance brought forward | −6,560,323 | −6,698,440 | −1,489,008 |
| Total budget plan | 23,450,000 | 0 | 23,400,000 |
| Distribution of budget plan by object classification: | | | |
| 22 Transportation of things | 482,000 | 0 | 2,180,500 |
| 25 Services of other agencies | 2,637,878 | 0 | 2,084,300 |
| 26 Supplies and materials | 20,330,122 | 0 | 19,135,200 |
| Total budget plan | 23,450,000 | 0 | 23,400,000 |

JUSTIFICATION

This activity provides for stocking available shelter space across the Nation with austere supplies and equipment required for survival under fallout conditions. Provisions placed in shelters under the program include food, water, sanitation, and medical supplies sufficient to support the shelter population for a period of time that may range up to 2 weeks. Supplies for 63 million spaces have been procured from funds previously appropriated and this budget request of $23.4 million would add 11.9 million spaces, providing a national inventory of stocks for shelter spaces for 74.9 million people. Figure 27, page 112, provides a breakdown of funds and spaces by item category and fiscal year covering the procurement program through fiscal year 1966.

The ultimate objective of the DOD fallout shelter program is the obtaining, by the early 1970's, of 240 million shelter spaces to accommodate the entire population. It is expected that some 50 million spaces of this requirement will be met by private shelter development in homes, smaller commercial concerns, and similar structures which will either not be made available to the public or not be large enough to mark for public use and which will be provisioned by the potential users. However, the 190 million spaces balance of this national goal can be achieved only through aggressive Federal action to locate and use all protected space in existing larger facilities, stimulate development of shelter space in new construction, and stock all such space with essential survival supplies to make it ready to sustain life in the event of an emergency. The Federal shelter stocking program initiated in fiscal year 1962 provides these essential supplies to all public shelters.

The fiscal year 1966 budget request for procurement of 11.9 million spaces of supplies for a cumulative total of 74.9 million spaces is based on conservative projection of actual stocking experience since inception of the stocking program. Stock issue experience has shown that supplies accepted at the local level and moved into shelters amount, on the average, to only 65 percent of those required to fill up to the rated capacity of the surveyed shelter areas. Through fiscal year 1964 the survey results have identified shelter space in 143,653 facilities having a rated capacity for 121.4 million people. In early fiscal year 1965, this total rated capacity increased to over 124 million as a result of reanalysis and updating work on structures previously surveyed. Survey of an additional 12,000 facilities in fiscal year 1965 will increase this rated capacity by 6 million to a new total of 130 million spaces available for stocking in existing facilities at the start of fiscal year 1966. Application of the 65 percent factor to this total would would result in a fiscal year 1966 requirement for shelter supplies of 84.5 million spaces. However, in computing the fiscal year 1966 budget request, the Office of Civil Defense has further discounted this requirement down to 74.9 million spaces for two basic reasons.

First, experience rates in refusals by a small percentage of building owners to accept stocks has been applied. The major reason for such refusals is that some owners have been unable to receive stocks at this time because of lack of storage space or inadequate physical security.

Second, the budget request for Federal stocks has been held to a conservative minimum pending the results of continuing, concentrated studies to find alternate methods for providing some of the shelter-stocking requirements. Two sampling surveys of water trapped in the plumbing and storage systems of facilities having public shelter indicate that there is water which could be made available to shelterees in more than 90 percent of the facilities. In those cases where water is not already available to the shelter area, it can be made available by minor adaptations to the existing plumbing systems. Starting late in fiscal year 1964, the survey scope was expanded to include plumbing systems analysis to determine the amount of water trapped in facilities and the adaptations necessary to make it available to the shelter areas. No funds will be requested for additional water storage drums until this analysis is completed, since providing access to trapped water may be a more economical means of meeting shelter water requirements in many facilities. The survey expansion will also include determination of existing food supplies in the facility, their storage stability and turnover rates, in order to offset such supplies against the Federal survival food-stockage requirements.

*Shelter supplies and equipment by fiscal year of appropriation*

| | Fiscal year | Funds | Shelter spaces covered | |
|---|---|---|---|---|
| | | | Annual | Cumulative |
| Food | 1962 | $45,460,000 | 37,134,936 | 37,134,936 |
| | 1963 | 14,185,742 | 12,865,064 | 50,000,000 |
| | 1964 | 15,226,332 | 13,000,000 | 63,000,000 |
| | 1965 | 0 | 0 | 63,000,000 |
| | 1966 | 14,458,500 | 11,900,000 | 74,900,000 |
| Water containers | 1962 | 17,658,498 | 40,733,652 | 40,733,652 |
| | 1963 | 4,070,235 | 9,266,348 | 50,000,000 |
| | 1964 | 0 | 0 | 50,000,000 |
| | 1965 | 0 | 0 | 50,000,000 |
| | 1966 | 0 | 0 | 50,000,000 |
| Medical kits | 1962 | 9,028,346 | 37,650,112 | 37,650,112 |
| | 1963 | 3,195,145 | 12,349,888 | 50,000,000 |
| | 1964 | 3,364,390 | 13,000,000 | 63,000,000 |
| | 1965 | 0 | 0 | 63,000,000 |
| | 1966 | 3,082,100 | 11,900,000 | 74,900,000 |
| Sanitation kits | 1962 | 8,254,992 | 46,763,400 | 46,763,400 |
| | 1963 | 451,829 | 3,236,600 | 50,000,000 |
| | 1964 | 1,739,400 | 13,000,000 | 63,000,000 |
| | 1965 | 0 | 0 | 63,000,000 |
| | 1966 | 1,594,600 | 11,900,000 | 74,900,000 |
| Warehousing and transportation of supplies | 1962 | 336,370 | ---------- | ---------- |
| | 1963 | 10,796,049 | ---------- | ---------- |
| | 1964 | 3,119,878 | ---------- | ---------- |
| | 1965 | 0 | ---------- | ---------- |
| | 1966 | 4,264,800 | ---------- | ---------- |
| Total appropriations for shelter stocking | 1962 | 80,738,206 | ---------- | ---------- |
| | 1963 | 32,700,000 | ---------- | ---------- |
| | 1964 | 23,450,000 | ---------- | ---------- |
| | 1965 | 0 | ---------- | ---------- |
| | 1966 | 23,400,000 | ---------- | ---------- |
| Grand total, fiscal years 1962-66 | ---------- | [1] 160,288,206 | ---------- | ---------- |

[1] Excludes $9,530,000 for fiscal year 1962 procurement of 200,000 fallout radiation detection and monitoring kits for shelters. These kits are distributed using an allocation formula based on shelter areas and, therefore fixed number of shelter spaces for each kit cannot be determined.

Mr. JONAS. Any questions on this tab?

## RESEARCH AND DEVELOPMENT

If not, let us turn to page 113, "Research and development." That is a $15 million program projected for next year, up from $10 million in 1965 and $10 million in 1964. Were we making enough progress at the $10 million, Mr. Director?

Mr. DURKEE. Yes; we were, Mr. Congressman. The reason for the increase is the close relationship of civil defense now with other defense systems which we discussed a little earlier today, particularly the NIKE X system. The research effort here is investigation in cooperation with the Defense Research and Engineering Department as a whole. Research on the various problems involved in a stepped-up civil defense damage-limiting program.

Mr. JONAS. You are asking for $5 million on shelter research. Are we not getting the "cart before the horse?" You ought to do the research before building the shelters.

Mr. DURKEE. Yes; that is right. We are not talking about building shelters. This is largely research in shelters against direct effects; that is, the blast-and-fire aspect, and it is a step beyond——

PREVIOUS RESEARCH

Mr. MINSHALL. How long have you been in the shelter research program? I remember well, going out to Yucca Flats when we were exploding nuclear devices there. You had nuclear defense testing of blast shelters, fallout shelters, and all the rest. How much have we spent on shelter research since the inception of the civil defense program?

Mr. DURKEE. I am no expert——

Mr. MINSHALL. Are we not pretty well experts on it already? Why do you need more research on it?

Mr. DURKEE. This is not research on things we already know——

Mr. MINSHALL. I understand that.

Mr. DURKEE (continuing). But research on things we do not know; and what we do not know are what kinds of shelters would be effective against blast and fire, and particularly——

Mr. MINSHALL. Have you not been through this spectrum of activity?

Mr. DURKEE. No.

Mr. MINSHALL. What have they been doing at Yucca Flats? Is that all "down the drain"?

Mr. DURKEE. No; I do not think so. I do not know whether Civil Defense did it all.

Mr. MINSHALL. It was Civil Defense. I saw it. I flew over the area in a helicopter right after the bomb went off, and looked at those blast shelters.

Mr. DURKEE. Mr. Strope, our Research Director, can comment on it more clearly.

Mr. THOMAS. For at least 10 years it has been going on.

Mr. DURKEE. They did a great deal of this. They were basically holes in the ground, shock testing.

Mr. MINSHALL. They were not holes in the ground at all: these were simulated homes; these were bomb shelters; these were blast shelters and fallout shelters. The whole spectrum of civil defense shelters was involved in these tests. I just wonder, how much have you spent on this program altogether?

Mr. DURKEE. Mr. Strope, I am sure you can speak to this subject. I believe at that time the major emphasis was on what the effects of weapons were, because nobody really knew what they were. This is what they were testing. It was not until after they got through the testing and knew what the effects were that they had any idea what they could do about the effects.

Mr. MINSHALL. It was not just the effects. The effects were part of it, of course. It was what happened to a shelter.

PREVIOUS EXPENDITURES FOR RESEARCH

To get back to the original question, How much have you spent on shelter research since its inception?

Mr. DURKEE. There has been a total of $64 million spent on research in all of civil defense from the inception.

Mr. MINSHALL. Since what year is that?

Mr. DURKEE. Since 1950 or 1951.

Mr. MINSHALL. $64 million.

Mr. DURKEE. In all areas.

Mr. THOMAS. Psychological and everything?

Mr. DURKEE. Radiological, instruments, blast, communications, warning, everything.

JUSTIFICATION MATERIAL

Mr. JONAS. Let us put the table on page 113 in the record.

On page 114, let us put the paragraph numbered 1, "Shelter research," $4,600,000, that whole paragraph in the record. It explains what the research is about in the shelter program.

On page 115, put paragraph numbered 2, "Support systems" at a cost of $4,062,000, that first paragraph under that.

Paragraph numbered 3 on page 116, entitled "Postattack research," and the first paragraph following that. Paragraph numbered 4 down through the narrative following the table showing $3,385,000 programed for "Systems evaluation," on page 117.

(The pages follow:)

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| Research and development: | | | |
| Research and development | $11,799,246 | $12,421,890 | $15,000,000 |
| Unobligated balance carried forward | +2,421,890 | 0 | 0 |
| Unobligated balance brought forward | −4,221,136 | −2,421,890 | 0 |
| Total budget plan | 10,000,000 | 10,000,000 | 15,000,000 |
| Distribution by item: | | | |
| Shelter research | 2,959,000 | 2,775,000 | 4,688,000 |
| Support systems research | 2,417,000 | 2,270,000 | 4,062,000 |
| Postattack research | 2,255,000 | 2,181,000 | 2,865,000 |
| Systems evaluation | 2,369,000 | 2,774,000 | 3,385,000 |
| Total budget plan | 10,000,000 | 10,000,000 | 15,000,000 |
| Distribution of budget plan by object classification: | | | |
| 25 Other services | 3,085,734 | 4,000,000 | 5,000,000 |
| Services of other agencies | 6,914,266 | 6,000,000 | 10,000,000 |
| Total budget plan | 10,000,000 | 10,000,000 | 15,000,000 |

GENERAL

The Office of Civil Defense conducts a coordinated research effort to develop optimum methods, materials, and facilities for use by civil defense at each level of government. The research is intended to (1) identify and develop more economical operational procedures and hardware for civil defense, (2) improve effectiveness of civil defense systems, (3) increase capability of men and machines for postattack operations, (4) improve the readiness of the entire civil defense program, (5) provide more useful data for making basic decisions in planning and operating civil defense programs.

Most of the research effort is devoted to a "core program" of a long-term nature that is directed toward improving the state of knowledge in the technological area. This effort is in the nature of an investment, which may be expected to pay dividends in future years. Additionally, there are each year a number of "output studies" that exploit the current state of knowledge to provide guidance for policy and operational decisions as well as improved hardware as needed. These output studies should yield increasingly better answers as progress is made in the core program.

The individual pieces of research are accomplished under contract by other Department of Defense and Federal agencies, by universities, and by private research organizations, both profit and not-for-profit. Efforts have been made to enlist the best technical skills in the country in the solution of present and future civil defense problems. There are presently about 200 individual contracts with more than 75 different organizations throughout the United States.

To aid in guiding these individual studies, OCD uses two lead laboratories, the U.S. Naval Radiological Defense Laboratory and the Stanford Research Institue. All systems studies are monitored directly by the Office of Civil Defense.

*Justification*

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 1. Shelter research | $2,959,000 | $2,775,000 | $4,688,000 |

This program is concerned with applied research and exploratory development in support of shelter design, construction, management, and use. The work involves continuing research to improve the effectiveness, reliability, and economy of providing physical protection against major weapons effects; a habitable shelter environment; necessary supplies and equipment including ventilation kits; and adequate leadership, training, and command and control during shelter occupancy.

This program has resulted in improvements in the technical data base for many operational areas. The radiation shielding technology for survey and design purposes has been improved by work involving partitions, limited areas of contamination, scattering of radiation and better analytical techniques. Development has begun on a fire rating system for shelters and components. Analytical methods have been developed and an extensive experimental program undertaken to obtain data on problems of heat and humidity in identified shelters. Physiological reactions of people to environmental stress have been investigated. Development work was initiated on prototype package ventilation units to improve habitability and utilization of existing shelter space. A shelter ration based on bulgur wheat was developed and has been procured as part of our shelter stocks. Tests of shelter stocks, such as food and water, for stability and shelf life have been undertaken. Materials have been developed for the training and guidance of shelter management. The organizational structure of shelter staffs was investigated. An experimental program was instituted on problems of shelter occupancy under conditions compatible with current shelter stocking programs. Investigations are being made of the operational implications of shelter systems including legal, financial, technical, and organizational problems of integrating shelter facilities into communitywide civil defense plans.

During fiscal year 1965, increased emphasis is being given to protection studies, particularly radiological and thermal protection, and to shelter management studies, particularly occupancy studies involving 300 persons, with a goal of experimentation with management of 1,000-person shelters by fiscal year 1967. The development of improved basis for shelter effectiveness and related cost estimates is being undertaken for use in cost-effectiveness studies of shelter and shelter systems.

During fiscal year 1966, emphasis will be placed on the means for providing minimum cost fallout shelter space, methods of achieving a complete fallout shelter system and on potential methods of producing a feasible blast shelter system.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 2. Support systems | $2,417,000 | $2,270,000 | $4,062,000 |

The program includes applied research and exploratory development in support of all civil defense functions in the preattack, transattack, and immediate postattack period except the sheltering function. Study is directed toward improving the effectiveness and reliability and reducing the cost of emergency command and

control (including communications and warning), emergency operations (including medical aid, firefighting, rescue, and damage control), radiological monitoring, and preattack measures to reduce vulnerability to weapon effects.

Research from fiscal year 1962 through fiscal year 1964 included work on (1) development of effective damage control and firefighting including area fire tests, (2) definition and evaluation of health and medical problems, (3) rescue operations in fringe areas and under the threat of fire spread and fallout, (4) communications requirements in area command and control, (5) warning by radio and pyrotechnics, (6) improvement and cost reduction in radiological monitoring instruments, (7) analyses to assist in the design of emergency phase organization and control procedures for conducting key emergency services, and (8) studies for reducing urban vulnerability to thermal and blast effects.

In fiscal year 1965, analysis of emergency phase operations is being expanded, stressing integrated use of all defense measures, including fire defense measures of all types. Large-scale fire experiments are being initiated. Fiscal year 1965 medical research will emphasize information needed to permit development of more adequate disaster medical plans and systems for mass casualty medical care. A continuing program of determining future requirements for communications and warning and for developing capabilities to meet these requirements is being expanded. Radiological monitoring system development is being continued with the goals of incorporation of automatic monitoring, processing, and display techniques, the reduction of maintenance, and the extension of active life of the elements of the systems. Integration of this work with communication and damage assessment systems is being undertaken. A study of new approaches to thermal screening is being started, based on work begun in fiscal year 1963, and studies of other promising avenues to vulnerability reduction is being continued.

During fiscal year 1966, means for minimizing the thermal and fire problem and development of emergency operations methods will receive increased emphasis. Studies will determine qualitative and quantitative requirements of emergency operations functions.

| | Actual, fiscal year 1964 | Estimate, fiscal year 1965 | Estimate, fiscal year 1966 |
|---|---|---|---|
| 3. Postattack research | $2,255,000 | $2,181,000 | $2,865,000 |

This program is concerned with research and exploratory development of systems and functions relating to the postattack period from the time of coming out of shelters in fallout areas or the cessation of damage-control efforts in nonfallout areas, until an orderly transfer of survival functions can be made to other governmental and private institutions. Attention is directed toward definition of the postattack physical environment, radiological countermeasures, repair of physical damage and postattack medical, health, and welfare needs.

Prior research has emphasized studies relating to the creation and distribution of radioactive fallout and its physical, chemical, and radiological characteristics. Mathematical models for the various processes involved have been formulated for use in predicting the effects of weapon design and yield variations, detonation characteristics on the resulting radiation fields, and the distribution and biological availability of the various radionuclides. Investigations of the effects of terrain and weathering of the radiation fields have been started. Procedures have been developed and prototype manuals prepared for use in early radiological recovery of undamaged facilities and areas required to sustain survivors. Field tests and theoretical analyses of decontamination requirements, scheduling and procedures have been made. Studies of debris clearance and critical facility repair problems were undertaken, with emphasis on the development of operational procedures. Estimates of the dimensions of postattack medical, health, and welfare problems were improved by consideration of varying attack levels, climatic conditions and geographic characteristics. Postattack systems studies were conducted to define integrated requirements, management and control problems, and social and psychological aspects affecting postshelter behavioral problems.

During fiscal year 1965, research is being continued on the postattack environment, with greater emphasis on the eventual fate of individual radioelements and their behavior within the biosphere. Radiological recovery operations analysis will continue to provide a better basis for decontamination planning, command and control functinos, and communications procedures required to conduct large-scale decontamination operations. Research is being continued on the development of procedures for repair and emergency operation of critical facilities required to produce survival items in the postattack period. Studies of postattack medical, health, and welfare problems will emphasize evaluation of existing methods and capabilities and alternative choices in the use of resources depending on local postattack environmental conditions. Fiscal year 1965 postattack systems studies will emphasize improved methods for assessing the postattack environment and analysis of the probable postattack behavior of social units in these environments.

During fiscal year 1966, emphasis will be continued on the development of a firm technical basis for understanding the short-term postattack environment and development of methods and procedures required to reduce postshelter hazards to life and to maintain the surviving population until recuperation can be initiated.

| | Actual fiscal year 1964 | Estimate fiscal year 1965 | Estimate fiscal year 1966 |
|---|---|---|---|
| 4. Systems evaluation | $2,369,000 | $2,774,000 | $3,385,000 |

Systems evaluation is concerned with development of improved means for determining the probable cost, effectiveness, and feasibility of alternative future civil defense systems.

In past work, systems evaluation has (1) developed a logical framework within which to study civil defense systems, (2) increased the understanding of the strategic environment for, and role of civil defense, (3) improved the techniques for assessing vulnerability and estimating system effectiveness, and (4) demonstrated the acceptability of civil defense to the public.

In fiscal year 1965, the major objective is to accomplish an evaluation of civil defense in five selected localities in mircodetail but limited in this first cycle by (1) examining only one attack pattern in each, (2) using vulnerability functions available in the present state of the art, and (3) introducing a small number of alternative countermeasures. This will improve the ability to perform detailed local analyses in order to (1) increase the reliability of estimates of cost, effectiveness, and feasibility of civil defense at all levels; and (2) provide an improved base for planning and evaluating civil defense development and operations.

During fiscal year 1966, the systems evaluation area will provide a capability for evaluating alternative civil defense systems. Emphasis will be placed on improving techniques for measuring the cost effectiveness of civil defense measures and the application of such techniques to typical areas.

Mr. JONAS. Any questions?

(Off the record.)

Mr. JONAS. Any questions?

That is all I have, Mr. Chairman.

Mr. THOMAS. Thank you, gentlemen, very much. You have been very helpful. You know your subject. A few of your details were not clear, but we want to commend you on the whole for a good job. Good luck to all of you.

WEDNESDAY, MARCH 31, 1965.

# EXECUTIVE OFFICE OF THE PRESIDENT

## OFFICE OF EMERGENCY PLANNING

### WITNESSES

BUFORD ELLINGTON, DIRECTOR
FRANKLIN B. DRYDEN, DEPUTY DIRECTOR
JOHN E. COSGROVE, ASSISTANT DIRECTOR
G. LYLE BELSLEY, DIRECTOR, ECONOMIC AFFAIRS OFFICE
JOHN C. GREEN, DIRECTOR, ANALYSIS AND RESEARCH OFFICE
ROBERT Y. PHILLIPS, DIRECTOR, GOVERNMENT READINESS OFFICE
EUGENE J. QUINDLEN, DIRECTOR, PROGRAM EVALUATION OFFICE
HUBERT R. GALLAGHER, DIRECTOR, LIAISON AND PUBLIC AFFAIRS OFFICE
WILLIAM B. RICE, DIRECTOR OF ADMINISTRATION
A. E. FRY, ACTING CHIEF, BUDGET BRANCH

Mr. THOMAS. Gentlemen, the committee will please come to order.

We have many of our distinguished friends with us this morning from the Executive Office of the President, the Office of Emergency Planning. We are delighted and honored to have the new Director, Gov. Buford Ellington.

Our friend, Mr. Evins, is back in Tennessee this morning. He was very unhappy he had to go. He wanted to be here to greet his friend of 30 years' standing, Governor Ellington. We will all have to take his place this morning.

It is nice to have Mr. Dryden, the Deputy Director. You were over on the Senate side for a long time, were you not?

Mr. DRYDEN. Yes, sir.

Mr. THOMAS. When did you move over to OEP?

Mr. DRYDEN. In August.

Mr. THOMAS. We know Mr. Cosgrove, the Assistant Director, and Mr. Belsley, the Director of Economic Affairs; John C. Green, Director, Analysis and Research Office; Robert Y. Phillips, Director, Government Readiness Office; Eugene J. Quindlen, Director, Program Evaluation Office; Hubert R. Gallagher, Director, Liaison and Public Affairs Office; William B. Rice, Director of Administration; and A. E. Fry, Acting Chief, Budget Branch.

You are welcome, gentlemen.

This budget, as far as composition is concerned, is a work of art. You really laid it on the line. The only thing it lacks is substance, but you are not responsible for that.

We are delighted to have all of you.

Have you a statement for us, Governor?

Mr. ELLINGTON. Yes, sir, I have a statement.

Mr. THOMAS. Governor, if you want your staff to handle the details, just pass the buck to them, because you have not been over there too long. So, you follow any procedure you want to. If you want somebody else to handle the questions, do not hesitate to call on them.

Mr. ELLINGTON. I will read my statement, with your permission.

Mr. THOMAS. You may proceed.

## GENERAL STATEMENT

Mr. ELLINGTON. Mr. Chairman and members of this committee, although I have appeared before committees of Congress several times over the years, this is my first appearance before an Appropriations Committee. I am pleased to be here to discuss with you the activities and vital programs under way by the Office of Emergency Planning. I have been on the job as Director of OEP for just over a month. I do not yet pose as an "expert" in the work of this agency, but I have come to realize in this short time how important our many responsibilities are. When the President asked me to come to Washington, he made me understand that this work is important to the overall national security. We can and we will make an important contribution to national security with a small amount of money.

The budget you have before you is in my opinion an austere one. It was put together last fall under my predecessor and forwarded to the Congress before my appointment. From my careful review of the budget justifications, I believe that it has been prepared with emphasis on President Johnson's economy guidelines. The budget calls for about the same level that Congress has prescribed for the Office of Emergency Planning for the past 2 years. It includes a reduction of 3 positions from 250 to 247.

As you will recall, last year we were authorized a total of 290 personnel including 40 for telecommunications. Because of its specialized function we have prepared a separate budget for telecommunications this year which will be supported by its Director, General O'Connell, who will answer whatever questions the committee may have in that field.

Mr. THOMAS. The general did all right this year.

Mr. ELLINGTON. For other than telecommunications, we are requesting $3,989,000 for salaries and expenses, $1 million for research and development, and $20 million for disaster assistance.

I have always believed that it is important in administering anything to decide exactly where you are headed and to constantly know how well you are doing. This year's budget seems to me to be based on meaningful objectives and accomplishments and I intend to keep the agency directed toward realistic goals.

Let me summarize a few of the accomplishments of the Office of Emergency Planning during the past year. OEP assisted 25 States with approximately $53 million of disaster relief and coordinated the total Federal relief efforts in 20 major and 5 lesser disasters. Five-year nonmilitary defense objectives were approved by the President to guide all departments and agencies. A new national plan was prepared and issued. The President approved a proposal by the Office of Emergency Planning for a wartime Office of Defense Resources. Current planning assumptions (military, economic, political) were prepared for the President's approval.

### COMPREHENSIVE PROGRAM

OEP issued a comprehensive example State plan, assisted 46 States in preparing to manage resources, and entered into contracts with 39 States.

Mr. THOMAS. You had about $1.5 million last year, and the same amount before. What progress have you made on that? Your justifications are a little skimpy on this. You say you have organized 46 States. What do you mean by "organized"? Does that not overlap with a good many of the functions already existing?

Mr. COSGROVE. I think it comes together and all works in partnership. I do not believe it overlaps.

Mr. THOMAS. We do, and it is up to you to show where it does not.

Mr. COSGROVE. To answer your question, the work that has been done is largely through contracts with 39 of the States. An additional 7 are also active, bringing it up to this number of 46.

Mr. THOMAS. That is on about page 93 of the budget.

Mr. COSGROVE. Thirty-nine have contracts under which staff assistance is provided the States. The contracts provide limited staff assistance. In addition to this, they have money for travel and for communications in order to have these committees and task groups at work. We have in the States over 500 task groups now concerned with different economic areas—production, communications, transportation, food, water, manpower, and the like, planning so the State will have some capability to manage its own resources if they are ever cut off from the Federal Government.

Mr. THOMAS. It overlaps with OCD. They are doing the same thing. You are not seeking any more money. You have it all behind you.

Mr. COSGROVE. Yes, sir; appropriationwise.

Mr. THOMAS. You have to have plans and revise them and do it all over again?

Mr. COSGROVE. We hope not. We think the quality of these plans coming in to us is pretty good. We do believe, with you, that it will not be necessary to revise them. We hope not.

Mr. THOMAS. Who is your main stem? The Governor in each of the States?

Mr. COSGROVE. Yes, sir; the Governor appoints the emergency planning director, which we now have in every State and territory. He heads the work.

Mr. THOMAS. Will the successor of the Governor, when he goes out of office, take hold and follow the plan or will he initiate his own plan? What is the general thinking?

Mr. COSGROVE. We hope for continuity on the economic side as we have continuity on the governmental side, by the device of bringing in the leaders of agriculture, business, labor, industry, and consumer groups, and having them serve on State emergency resources planning committees, associated with which are these task groups to which I referred, dealing with specific resources.

Mr. THOMAS. The existing Governor has to call them together. Suppose he says, "I have enough to do without going into this." Then in a year or two the organization falls apart and there you go. These Governors have their hands full taking care of their day-to-day business. They have more headaches than they can take care of, anyway, have they not, Governor?

Mr. ELLINGTON. Certainly I do not have the answers, and I have to depend on the staff mostly, you understand, but let me say this on this particular phase, Mr. Thomas. Most of the Governors select more or

less from the business community, from the labor community, and they do not change under political change normally. This is not a political plum that people seek. You have to seek the man.

Mr. THOMAS. It is a working job.

Mr. ELLINGTON. Yes, sir; you go out and seek the man instead of the man seeking you. Therefore, when there is a change——

Mr. THOMAS. Somebody has to keep them steamed up. They have their own headaches in their own business, and it is no easy matter to travel to the capital from X town. I doubt the value over a period of 5 or 10 years.

Mr. COSGROVE. I might say on that score, Mr. Chairman, that each of the States under this contract program has assumed a moral obligation to do what they can to continue this after the project is completed. We see it in two parts. First, in about an 18-month period, ranging actually from 12 to 24 months, the States can complete their plans and standby documents and methods to put the plans into effect. We hope beyond that there will be some assignments to elements of the State government to assume part of the responsibility for these functions, somewhat similar to what the President has done by Executive order in the Federal executive establishment.

Mr. THOMAS. I am just wondering about the practice. The theory is perfect.

Mr. COSGROVE. So far it appears to be satisfactory.

Mr. RICE. The States and the private sector are investing at least five times as much as the Federal Government in this program, indicating that they are very inclined, for their own purposes, to keep the plan going.

Mr. THOMAS. Where do you get that five times figure?

Mr. RICE. We get reports from the States quarterly of the contributions being made from State funds and private sector contributions.

Mr. THOMAS. Go ahead, Governor. Excuse the interruption.

Mr. ELLINGTON. I would like to add here that from my study in the brief period of time I have been here, on these changes, that most of the changes come about through death. That is about the only change because, as I say, these are different type people than you normally pick in political life in the State.

Under these contracts almost 4,000 outstanding private citizens from business, labor, industry, agriculture, and other areas are helping State governments to develop emergency capabilities. The agency completed a comprehensive study of stockpile requirements for conventional war, issued now stockpile objectives for 76 materials, and approved the disposal of $167 million of excess stockpile materials in fiscal year 1964. In the first 6 months alone of the current fiscal year, sales commitments of excess stockpile materials amounted to another $201 million. OEP prepared a new list of essential survival items, completed an important study on hydraulic turbines and iron alloys, and issued a defense mobilization order governing the use of health manpower in an emergency. At the request of the State Department, the agency provided on-the-spot assistance to two foreign countries, Vietnam and Jordan, on manpower resources problems. Other accomplishments in the last year included preparing for a nationwide operation of price, rent, and rationing controls in an emergency and making substantial improvements in our computer analysis capability.

COMPUTER PROGRAMS

Mr. THOMAS. Everybody is in the act now with computers. How much overlapping is there with the General Services Administration?

Mr. ELLINGTON. As far as our operation is concerned—you gentlemen may have the final word on this—there is no overlapping. We are attempting, in the month that I have been here, to sit down and have a conference with all of the agencies we are dealing with. If we find any overlapping, certainly it is to my advantage to try to eliminate that overlapping.

Mr. THOMAS. What is the total investment in computers? I did not find that figure.

Mr. GREEN. It is in the classified budget, sir. We can submit it for the record.

Mr. THOMAS. There is not secret about it.

Mr. RICE. The material——

COMPUTER INVESTMENT

Mr. THOMAS. We are not asking about the material. What is your total investment in computers? Do you have it now?

Mr. GREEN. It is about $6 million. That is including the associated equipment.

Mr. RICE. Our facility was a pioneer in this field. I might say that one of the jobs of the General Services Administration, to which the chairman referred, is to assure that in executive branch there is not duplication, and we have been working very closely with them to make sure that in no way our computer operations duplicate others.

Mr. THOMAS. How long have you been active in this field? When did you take the lead?

Mr. GREEN. This activity started as the National Damage Assessment Center in the Office of Defense Mobilization.

Mr. THOMAS. Where did you get your $6 million figure?

Mr. GREEN. Out of the classified budget.

Mr. THOMAS. What do you mean by classified budget?

Mr. RICE. The military, sir.

Mr. THOMAS. Did you get it out of military funds or the President's emergency fund? It was not appropriated here.

Mr. GREEN. No, sir; it was not.

Mr. JONAS. What is so secret about computers?

Mr. FRY. The location of the facilities.

Mr. RICE. It is in association with the protection of the President and with his wartime responsibilities.

Mr. THOMAS. Did any of it come out of the President's emergency fund?

Mr. RICE. No, sir.

Mr. THOMAS. What year did you set it up?

Mr. GREEN. The original concept was in 1954.

Mr. THOMAS. Your justification has been silent on it, lo, these many years. What is secret about it?

Mr. GREEN. It is one element of the entire classified budget, sir.

Mr. RICE. The use of the computer is in conjunction with highly classified operations.

Mr. JONAS. As far as the number of computers, I cannot see how that would be classified.

Mr. THOMAS. How much do you allocate to the computer in your budget this year?

Mr. RICE. The military support of the computer——

Mr. THOMAS. Is that appropriated out of this group, or military funds?

Mr. RICE. That is a military request.

Mr. THOMAS. How many employees do you have?

EMPLOYEES AND COST OF COMPUTER PROGRAM

Mr. RICE. In the entire computer operation there are 115.

Mr. THOMAS. What is your dollar cost?

Mr. RICE. For personnel costs, somewhere in the neighborhood of $1 million.

Mr. THOMAS. Are they in the budget?

Mr. RICE. No, sir.

Mr. THOMAS. I looked for it pretty well last night, and I did not find it. Where is it covered?

Mr. RICE. It is covered in the Department of the Army appropriation along with their classified activities. They provide that support to the executive branch of the Government under our general policy direction.

Mr. THOMAS. What is the figure we have used in here on electronics equipment? Was it $4 or $4.5 billion annual cost? NASA came up with that. When you pull it all together, I imagine that is a little bit on the light side. That is electronics, though not necessarily ADP equipment. Excuse me, Governor.

STATE AND LOCAL PREPAREDNESS

Mr. ELLINGTON. Organizing an emergency information program, increasing enrollment of the executive reserves to 3,340, raising to 49 the number of States with formal continuity of government legislation, initiating improvements in NATO's civil emergency work, and collaborating with the State Department in the negotiation of United States-Canadian agreements.

Within the framework of our long-range objectives we have laid out clearly some specific goals for next year which are reflected in the individual sections of our budget. I will summarize only some of the key ones. As I indicated earlier, 39 States are under contract in the comprehensive program for which the Congress appropriated a total of $3 million in its last two sessions. The prospects of getting the remaining States in the program next year are excellent.

Let me say, Mr. Chairman, that I personally talked with all the Governors that are not in, and I think we will get full cooperation from those States.

Mr. THOMAS. You have 46 States now?

Mr. ELLINGTON. Thirty-nine under contract, but 46 in the comprehensive program.

Mr. THOMAS. How much of your $3 million have you spent?

Mr. COSGROVE. Around $2 million.

Mr. THOMAS. These are no-year funds?

Mr. COSGROVE. Yes.

Mr. THOMAS. They do not lapse. You have about $1 million unobligated.

Mr. COSGROVE. That is correct.

Mr. THOMAS. You have a little surplus.

Mr. COSGROVE. We are going into the 50 States and 4 territories—District of Columbia, Virgin Islands, Puerto Rico, and Guam—54 jurisdictions.

Mr. THOMAS. How did you allocate it? What does a good State like Tennessee get?

Mr. RICE. It is allocated on the basis of population, mostly.

Mr. THOMAS. That is what I am talking about.

Mr. RICE. Tennessee will get somewhere around $45,000.

Mr. THOMAS. New York and California get twice that, I guess.

Mr. COSGROVE. Tennessee is $47,351, sir. Well over $300,000, we estimate, is the total of the State contribution and the private sector contribution in Tennessee, at the present time.

Mr. THOMAS. This was not matching funds.

Mr. COSGROVE. No, sir. We ask them to report to us, under the contract, their estimates of what the private sector of the economy is contributing and what the State government is putting into it.

Mr. THOMAS. Go ahead, Governor.

Mr. ELLINGTON. No additional funds to complete this program will be required. We also plan to develop a standby Office of Defense Resources and finish most of the policies, procedures, organization, and staffing by the end of the fiscal year. Other objectives include increasing the size, quality, and training of the National Defense Executive Reserve.

NATIONAL EXECUTIVE RESERVE

Mr. THOMAS. That overlaps with or runs right into BDSA. They have 553 regular employees. You add to the reserve another 2,000 or 3,000. Why cannot Commerce handle that? They are doing it anyway with 553 regular employees.

Mr. RICE. There are currently 3,300 in the Executive Reserve. There are 11 agencies with units, including our own agency.

Mr. THOMAS. You have a staff of 25 or 30 people supervising them? Why is that necessary?

Mr. RICE. We have one person supervising the executive reserve program.

Mr. THOMAS. Eighteen and a secretary, you are right.

Mr. RICE. A GS–15.

Mr. THOMAS. Is it 15?

Mr. RICE. Yes, sir.

Mr. THOMAS. Go ahead.

Mr. ELLINGTON. Establishing new stockpile objectives for nuclear war; developing new excess stockpile disposal programs; putting into effect a revised manpower policy for Federal procurement and facilities in labor surplus areas; developing a national plan for emergency construction; providing assistance and guidance to industry on survival and reconstruction; completing an agreement with Canada on

emergency transportation; increasing our computer capability and extending its usefulness to our regions; briefing the legal successors to the President; and increasing the number of protected emergency facilities for Federal operations.

FEDERAL REGIONAL CENTERS

In this regard we especially support the recent request by the Office of Civil Defense for funds for the construction of seven additional Federal regional centers.

Mr. THOMAS. There is no construction money in here. Is that going to be joint use with OCD?

Mr. RICE. Yes, sir.

Mr. THOMAS. Do you make any contributions to this construction? They want $7.2 million. They have one now that is in operation and one more has been funded but not constructed. Now they want six more for a total of eight. That will be a joint use arrangement. Did you spend any of your money for the operation and maintenance of it, other than salary?

Mr. RICE. It is under contract with OCD.

Mr. THOMAS. What does it cost you on an annual basis?

Mr. DRYDEN. $63,000 is our share.

Mr. THOMAS. Does that pay the salaries and expenses?

Mr. RICE. The $63,000 is our share right now. That is what we give OCD to provide administrative support to our regional offices. We have eight, but only one is protected underground. The others are just ordinary offices.

Mr. THOMAS. Where are they located now?

Mr. COSGROVE. Region 1 is in Harvard, Mass.; Region 2 in Olney, Md.; Region 3, Thomasville, Ga.; Region 4, Battle Creek, Mich.; Region 5, Denton, Tex.; Region 6, Denver, Colo.; Region 7, Santa Rosa, Calif.; Region 8, Everett, Wash.

Mr. THOMAS. You duplicate OCD exactly.

Mr. COSGROVE. No, sir. They are looking to the question of survival of people and things, whereas we are looking to the question of recovery and restoring the viability of the whole economy.

Mr. THOMAS. I mean your offices are one and the same.

Mr. COSGROVE. Yes, sir. They are located in the same places.

Mr. RICE. Deliberately so.

Mr. THOMAS. Go ahead, Governor.

Mr. ELLINGTON. Other objectives for the next year include: the on-site review of emergency preparedness in additional Federal agencies and in some States; taking part in NATO's Civlog 65 exercises; and making use of operations research and other modern methods to relate the cost and effectiveness of the many sides of nonmilitary defense.

RESEARCH AND DEVELOPMENT

I would now like to direct my remarks to that portion of the budget which shows the only increase—the $1 million requested for research and development. Our emphasis is on development, particularly the development of a computer capability which can both analyze and predict effects of attack or other major acts upon the economy of the United States.

Mr. THOMAS. You want to go from $150,000 to a million dollars. How far have you progressed with this research program?

Mr. RICE. The amount of money increases from $150,000 to a request for $1 million, you are right. John Green, our Director of Research, is prepared, after the Governor's statement, to give you the specifics of how we propose to spend the $1 million.

Mr. THOMAS. Your budget is very specific. I notice two or three points that were enlightening on what was being done already, but why should you be in the research business?

Mr. RICE. Would you like to get into that now, sir?

Mr. GREEN. The reason OEP needs to get into the research business is because research and planning go hand in hand. You augment your staff responsibility by research. You get the objective experience of other people to evaluate what you are doing, and you begin to look——

Mr. THOMAS. Do you get any contribution out of the Defense Department for all this?

Mr. GREEN. Yes, sir.

Mr. THOMAS. How much?

Mr. GREEN. In information, we work very closely with them.

Mr. THOMAS. No; on the research program.

Mr. GREEN. We have one project in here, sir.

Mr. THOMAS. How much do they contribute in addition to the $1 million you are looking for?

Mr. GREEN. The supporting services for the computer.

Mr. THOMAS. Only supporting services?

Mr. GREEN. Yes.

Mr. THOMAS. They do not put up any research money themselves?

Mr. GREEN. Not research; no, sir. We do have a project in here jointly with the Office of Civil Defense, the first time we have ever done that, in which the Office of Civil Defense will pay much more——

Mr. THOMAS. Gentlemen, while Mr. Green is speaking, look at page 85, where there is a good breakdown of 5 or 6 projects, costing about $1 million, against $150,000 last year and $183,500 the year before that.

Mr. GREEN. We are trying to go back to the level of support of 1963. As you know——

Mr. THOMAS. You plan and you plan and you plan. Don't you ever get through planning?

Mr. GREEN. There is changing technology and a changing world. You have to keep in step, sir. Where most agencies have had dynamic research programs, because of severe personnel situations, OEP has not. It became mandatory on the earlier Director to cushion these personnel cuts by applying most of the funds the Congress made available to salaries and related expenses.

Mr. THOMAS. On page 88, National Academy of Sciences, $300,000, going to three projects, $100,000 each (reading):

> In fiscal year 1965, OEP enlisted the help of the National Academy of Sciences. Specifically, the Academy has been asked to (*a*) advise OEP as to whether the hypotheses, assumptions, and conclusions upon which emergency preparedness is now based are * * * sound * * *

and so forth.

Go ahead, Governor.

Mr. ELLINGTON. I have long been impressed with the use of computers in business and industry. I am equally impressed by the use of computers in helping solve military problems. In this sense I want to see our programs, our proposals, and our estimates given the same analysis. We presently have powerful computers and a staff which is operating them, but we sorely need to bring the data up to date and extend the system to important program areas and to the field. These devices are fast and versatile, but we cannot rely on them completely to examine the impact of changing science and the demands upon our resources in, say, the next 10 years.

We also have to enlist the Nation's best brains. The National Academy of Sciences was established to provide Government with the help of the Nation's best scientists and engineers. We have already enlisted the Academy's assistance and they have endorsed the proposed program set forth in this budget. Its scientists have agreed to conduct some studies for us. For example, they will examine 1975 stockpile requirements to make sure that new materials which will be important but scarce then are not neglected in our forward planning. My experience in both Government and private industry leads me to recognize research as an essential element of planning. I am not interested in research for its own sake. Every proposal made to me will have to qualify as contributing directly to the national security before I will approve it. But, I am confident that the total amount of research funds requested is vital to a well-balanced national security and cannot be neglected.

In conclusion, Mr. Chairman and members of the committee, may I express once again my appreciation for the opportunity to appear before you. After a searching review of the estimates placed before you, I am confident of their austerity and validity. I may have new programs to discuss with you in the future, but it seems to me that the programs in this budget represent a minimum investment in civil preparedness against all contigencies from an international crisis to a nuclear attack on the United States. I endorse the military budgets which the Congress has approved over the past years and I feel just as strongly about civil preparedness. Military preparedness without civil preparedness would be fatal.

Mr. Chairman, I like to think after some 15 or 16 years in public service that I am just as careful with the public's dollar and the taxpayer's dollar as I am my own. The fact is, my wife accuses me of managing public money better than I do my own. I can assure you, sir, as long as I am here, we are going to watch every item carefully and we are going to be just as conservative in our spending as we can. I assure this committee that each and every dollar that we have appropriated to us will be spent wisely or returned to the Federal Treasury.

Mr. THOMAS. That is an excellent statement, Governor, and we compliment you on it.

Gentlemen, are there some general questions? Mr. Shipley, have you any questions? Ask the Governor or his staff anything you have in mind.

STOCKPILE STUDIES

Mr. SHIPLEY. What have you done with regard to materials shortages which would be critical in 1965–75? Have you not already had research in this area?

Mr. ELLINGTON. We are in that process now. I believe we set our target date as 12 to 15 months for having a complete study made and finished and ready to submit.

Mr. SHIPLEY. You already have had some research in this field, have you not?

Mr. ELLINGTON. We are proceeding in that field now, as I understand.

Mr. RICE. Not research per se to look ahead 10 years and see what the materials situation in the United States or the world would be, and, therefore, base our planning in that direction. What we have been doing up to now is updating our stockpile objectives on the basis of the present or immediate future.

Mr. THOMAS. You have been doing that for 15 years. It has been running out of our ears. If you got rid of about two-thirds of it, you would render the public a great service, which you are not going to do.

Mr. ELLINGTON. I think it might be well for us to say a word on the progress we are making on reducing the stockpiles. Of course, we must be very careful about this, I find. In some of the surplus areas——

Mr. THOMAS. You have everybody in the act.

Mr. ELLINGTON. We have to be very careful about it and not upset the market, and so forth. I know that the first thing I was thrown into when I came here, within about 3 days, was the copper situation. To me, it was quite disturbing because I had not been here long enough. I do have faith and confidence in these gentlemen, but it is not like knowing it yourself.

IMPORT INVESTIGATIONS

Mr. SHIPLEY. What have you accomplished with respect to imports of materials to this country, on anything that we presently import that will be critical if we did have a shortage in this country at a time of emergency? How far does your authority go, for instance, on the import of oil?

Mr. BELSLEY. First, we reviewed the problem under what is now section 232 of the Trade Expansion Act of 1962, which was earlier a corresponding section of the Trade Agreements Extension Act. There was a study of the importation of oil where it was alleged that it was being imported in such quantities and in such manner that it would threaten the national security. This study was made by OEP and its predecessor, and a finding was made that it was being imported in such quantities as would tend to threaten the national security.

Mr. SHIPLEY. When was this determined?

Mr. BELSLEY. This was determined in 1959. Based on this, the Special Committee To Investigate Crude Oil Imports came up with proposals about what to do regarding the situation.

Mr. SHIPLEY. But they have not done anything.

Mr. BELSLEY. It was out of that proposal of the interdepartmental committee that the President issued a proclamation establishing import quotas for oil and residual fuel oils. More recently we were

asked to make a study on the residual fuel oils, and our finding there was a recommendation that there be what we call a meaningful relaxation of that program. This is now being considered within the administration, within the executive branch. I do not know what the outcome of that will be. This is something which at this point is out of the jurisdiction of OEP.

Mr. SHIPLEY. Do you feel, from your findings in 1958 to 1964, that the situation has changed any, or do you still feel our imports are not critical to a national emergency?

Mr. BELSLEY. Up to the present time the only study we have made was the original study, plus the supplemental study on one aspect of it, which was residual fuel oil. We have not been asked and we have not initiated any study on a complete review of the oil import program. This is something which at the moment the Secretary of the Interior is very vitally interested in and is looking at.

Mr. SHIPLEY. Do you offer your information to him before he makes his decision?

Mr. ELLINGTON. May I state here that only yesterday I had a very short conference with a man from the Department of the Interior. I understand they are going to make a report today or tomorrow on their findings. That is not for publication, but to give you the full information we have today.

Mr. SHIPLEY. Thank you very much. I just wondered what part you played in this. You made the study. I wondered if your recommendations were given any consideration. I felt, very frankly, they were not.

Mr. RICE. Our role is always to determine the effect upon national security of imports.

Mr. SHIPLEY. That is all, Mr. Chairman.

REPORT ON TEXTILE PRODUCTS

Mr. JONAS. You never did get around to issuing a report on textile products, did you?

Mr. BELSLEY. No, sir.

Mr. JONAS. How long has that been pending without a decision? Five years?

Mr. BELSLEY. It was filed in May of 1961.

Mr. JONAS. How long will it take you to make a decision in that?

Mr. BELSLEY. Sir, this is something we cannot answer at the moment. I am sure you understand.

Mr. JONAS. Just let the record show that the request was made in 1961, and you have not completed your study and the report has not been filed.

DISASTER RELIEF

I was interested in the opening statement of your letter to the chairman about your assistance in disaster relief last year in 25 States—$53 million. You do not actually administer this relief. That goes through SBA, does it not?

Mr. RICE. We have the responsibility for coordinating for the President the total Federal, executive branch response to a disaster. We determine what Federal agencies have to be brought in to help, and under our direction they are brought in.

Mr. JONAS. You make the overall decision on whether the area in question meets the requirements for assistance?

Mr. RICE. We recommend to the President that he declare a disaster as "major." He makes the decision.

Mr. JONAS. But the distribution of the relief is made by other Government agencies and not your office?

Mr. RICE. Not necessarily. Under Public Law 875 we are given funds by this committee to provide for debris clearance and, repair of public facilities, and so forth.

Mr. JONAS. Is that what the $20 million is for in this budget request?

Mr. RICE. Yes. In addition to that, other agencies have responsibilities, such as Housing, and Small Business Administration, within their own budgets and within their own authorities to provide relief to the States and localities.

Mr. THOMAS. This is the main program.

Mr. RICE. This is the main program. This is where the repair and rehabilitation of public facilities takes place.

STOCKPILE OBJECTIVES

Mr. JONAS. One other question. What is your stockpile objective now? How long? How many years?

Mr. BELSLEY. You mean the emergency period for which it is planned?

Mr. JONAS. Yes.

Mr. BELSLEY. The conventional war stockpile objective was developed for a 3-year period. These are the ones that were announced in the last few years.

Mr. JONAS. That period was reduced only once. We were once on a 5-year cycle, were we not?

Mr. BELSLEY. Yes.

Mr. JONAS. Then that was reduced to three.

Mr. BELSLEY. Three

Mr. JONAS. We have been on a 3-year period for several years?

Mr. BELSLEY. That is right.

Mr. JONAS. That has not been reduced?

Mr. BELSLEY. No, it has not. May I go off the record?

Mr. JONAS. Yes.

(Off the record.)

Mr. JONAS. You say you issued new stockpile objectives for 76 materials. Was that to reduce the 3-year holding period?

Mr. BELSLEY. No. That was based on the 3-year emergency.

Mr. JONAS. When you say objective, you mean the amount?

Mr. BELSLEY. The amount of each material is based upon the need for a 3-year emergency. These were entered in the record last year, I might add.

Mr. JONAS. Why does that shift? The objective with respect to individual stockpile material would not change, would it?

Mr. BELSLEY. Yes. This is the point. It does change. As we pointed out and as is in the record of last year's hearing here, we had just completed them. Of the 76 items, 35 objectives were increased, about 32 were decreased, 6 remained the same, 3 items were removed from the list, and 3 new ones were added to the list.

The reason for the change is, first, the change in military requirements; next, the change in technology and in weaponry; and thirdly, the change in absolutely essential civilian requirements.

STOCKPILE ASSETS

Mr. THOMAS. What are the figures on the value and the assets in the stockpile? You might include Public Law 480, too.

Mr. BELSLEY. The market value of the present total inventory amounts to a little under $8 billion. The excess amounts to about $4.4 billion.

DISPOSAL OF EXCESS MATERIALS

Would you like some information on sales of excess? That should go along with it.

Mr. THOMAS. It has been nominal.

Mr. BELSLEY. The sales have been more than nominal, Mr. Chairman.

Mr. THOMAS. A couple of hundred million dollars against $8 billion is nominal, in my judgment.

Mr. BELSLEY. That is a couple of hundred million dollars in 6 months. I want to point out that the quantity has increased markedly over the past several years. In the last 4 years, ending December——

Mr. THOMAS. You started out with something like 82 critical items in the stockpile. As well as I remember, about 75 or 76 of them were 2 and 3 times what we needed.

Mr. BELSLEY. Mr. Chairman, over 80 percent of the excess material is in 13 items. Efforts are being made now and actually disposal programs are underway for many of those items.

Mr. JONAS. I have just one other question. I understand there is a critical shortage of zinc in the commercial market. Is that correct?

Mr. BELSLEY. That is right.

Mr. JONAS. Congress has authorized the release of some zinc recently?

Mr. BELSLEY. Yes.

Mr. JONAS. When?

Mr. BELSLEY. First, there was a bill passed last July releasing some, and the other one went through the House the other day. It went through the House, went over to the Senate, came back amended, went through the House, and is pending for signature by the President at this moment.

NATIONAL DEFENSE PRODUCTION ACT

Mr. THOMAS. While you are on that, Mr. Jonas, will you yield to me briefly so your record will be continuous? The National Defense Production Act was passed when?

Mr. BELSLEY. 1950.

Mr. THOMAS. I remember a very distinguished American, Charlie Wilson, headed the program at that time. Who was President then, Mr. Truman? He goes over to the Treasury and, through back-door spending—what was the amount of that National Defense Production Act? $2.2 billion?

Mr. BELSLEY. The limit of borrowing authority was originally set at $2.1 billion. Later $108 million was appropriated.

Mr. THOMAS. What is the status of it as of January 1 or some recent date?

Mr. BELSLEY. I would like to furnish that for the record, if I may. I do not have it at the moment.

Mr. THOMAS. Somebody here ought to have that. We thought it was wound up once. We appropriated funds 2 or 3 years ago to pay some interest to the Treasury.

Mr. BELSLEY. This is correct.

Mr. THOMAS. Do you know whether it is still on the books, or do you have a little surplus or do you owe the Treasury any money, or what?

Mr. BELSLEY. It is still on the books.

Mr. THOMAS. Do you owe any money against it?

Mr. BELSLEY. Yes; we do. We have proposed that the interest on——

Mr. THOMAS. How much money do you owe against it?

Mr. BELSLEY. On a cash basis, it is in the neighborhood of $100 million in borrowing authority on hand which is about equal to the interest due this year.

Mr. THOMAS. No more than that?

Mr. BELSLEY. We have that on hand.

Mr. THOMAS. Owed to the Treasury in the form of interest?

Mr. BELSLEY. We have enough in there now to pay the interest due on notes maturing in fiscal year 1965.

Mr. THOMAS. Have you finished paying for all your plant?

Mr. BELSLEY. Yes; that is out.

Mr. THOMAS. If you owe $100 million, it must be interest to the Treasury.

Mr. BELSLEY. The major cost is interest on the Treasury debt. That is the major item.

RESALE OF ZINC

Mr. JONAS. I want to ask one other question about zinc. What arrangements are made to see that opportunities are fairly given everybody to acquire some of this zinc?

Mr. BELSLEY. This is something that is in the General Services Administration's area as the administerial agency on this. We have asked that they make every effort to see that the zinc gets, first, to use in the United States; secondly, to those who need it, the consumers who need it. They are making the offers in that way so it goes to consumers—the users of zinc.

Mr. JONAS. A man in my district shut down his plant because he cannot get any zinc, and he is afraid he is not going to get any of this because he has to get it from somebody who gets it from the stockpile.

Mr. BELSLEY. I would be surprised if he would not have a fair break with all of the others in access to this.

Mr. JONAS. How much does this legislation authorize?

Mr. BELSLEY. 150,000 tons, plus 50,000 for direct Government use.

Mr. JONAS. 200,000 tons.

Mr. BELSLEY. But the 50,000 that I said was for direct Government use is not for commercial sale. It is for use by Federal agencies.

Mr. JONAS. 150,000 tons. What is the total consumption or use of zinc in a year?

Mr. BELSLEY. This is a relatively small percentage of the total consumption or use of zinc in the United States.

Mr. RICE. I would suggest to the Congressman that he advise his client to get in touch with GSA.

Mr. JONAS. I have already done that. He is in constant touch with GSA.

(Off the record.)

Mr. RHODES. I do not have any questions for the record, Mr. Chairman.

Mr. THOMAS. Have you any general questions, Mr. Giaimo? The Governor has made a very pertinent statement, succinct and to the point. Have you any general questions?

Mr. GIAIMO. Not at this time, Mr. Chairman.

Mr. THOMAS. This has been very instructive, Governor. Let us make a quick survey of your budget. Put the covering letter in the record. It is very well done.

(The letter follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
*Washington, D.C., January 29, 1965.*

HON. ALBERT THOMAS,
*Chairman, Subcommittee on Independent Offices Appropriation, Committee on Appropriations, House of Representatives, Washington, D.C.*

DEAR MR. THOMAS: Transmitted herewith are appropriation estimates for fiscal year 1966 for the Office of Emergency Planning. They include $4,989,000 for "Salaries and expenses," $1,531,000 for "Telecommunications," and $5,200,000 for "Civil defense and defense mobilization functions of Federal agencies." In addition, $20 million is requested under "Disaster relief" for appropriation to the President.

Many important accomplishments were realized this past year. OEP assisted 25 States with approximately $53 million of disaster relief and coordinated the total Federal disaster relief effort in 20 major and 5 lesser disasters. Five-year nonmilitary defense objectives were promulgated. A new national plan was prepared and issued. The President approved the concept for a wartime Office of Defense Resources (ODR). Current assumptions (military, economic, political) were prepared for Presidential approval. Issued a comprehensive example State plan, assisted all States in the creation of a resource management capability, and negotiated contracts with 30 States. Completed a comprehensive study of stockpile requirements for conventional war. Issued new stockpile objectives for 76 materials. Approved $167 million of stockpile disposals. Prepared a new list of essential survival items. Completed import studies on hydraulic turbines and ferroalloys. Issued a defense mobilization order governing the use of health manpower in an emergency.

Provided on-the-spot assistance to Vietnam on manpower problems. Arranged for nationwide preparations to operate price, rent, and rationing controls in an emergency. Brought the PARM system for computer analyses to an operational status. Organized an emergency information program. Increased enrollment in executive reserve to 3,240. Brought the number of States with formal continuity legislation to 49. Initiated improvements in NATO civil emergency activities. Collaborated with State Department in the negotiation of United States-Canada agreements.

The severity of the Alaskan disaser not only challenged OEP to a full response in time of dire need but gave OEP and the other Federal agencies an opportunity to test existing readiness. As effective as the Federal response was, the need for increased emphasis on certain aspects of preparedness was highlighted. In addition to lessons learned from natural disasters, other influences require a continual reevaluation of the Nation's readiness. Nonmilitary defense must complement and supplement military defense to insure complete national security; therefore, changing military technology demands a continual up-dating of nonmilitary defense.

Much preparedness work is needed and contemplated for fiscal year 1966. Proposed OEP staffing for fiscal year 1966 (for other than telecommunications man-

agement) is slightly below that for fiscal 1965. With a shift in staffing within OEP to assure the implementation of approved concepts and plans and by delaying some lower priority projects, significant progress can be achieved in fiscal year 1966. Some key objectives include the negotiation of contracts with the remaining 20 States for the development of a resource management capability; the implementation of the concept of a wartime Office of Defense Resources; increasing the size and quality of the National Defense executive Reserve; establishing new stockpile objectives for nuclear war; revising the oil imports control program; implementing a revised manpower policy governing Federal procurement and facilities in labor surplus areas; developing a national plan for emergency construction; expediting the completion of an agreement with Mexico on emergency transportation, and with Canada and Mexico on emergency water; extending the PARM system to the regions; completing the comprehensive study of all statutes applying to OEP; briefing the legal successors to the President; increasing the number of protected emergency facilities for Federal operations; extending onsite reviews of emergency preparedness to 19 Federal agencies; participating in and evaluating NATO's Civlog 65 exercise; making use of operations research and other modern techniques to relate cost and effectiveness of the many facets of nonmilitary defense.

The proposed "Telecommunications" appropriation is submitted separately in view of the relative independence of its operation. This appropriation will finance a staffing level of 70 in fiscal year 1966, an increase of 30 positions over the previous fiscal year. These new positions are for handling the increased responsibilities assigned to the Special Assistant to the President for Telecommunications, for increased activity in radio spectrum management, and for additional responsibility and workload resulting from the Communications Satellite Act of 1962 and the establishment of a National Communications System.

The Office of Emergency Planning has reveiwed the fiscal year 1966 appropriation estimates for civil defense and defense mobilization functions of Federal Agencies submitted by the various agencies having emergency preparedness responsibilities assigned by the President. These estimates include only those programs which are beyond the normal functions of the various agencies and which cannot be absorbed within regular funds. The $5,200,000 requested for fiscal year 1966 will enable the various agencies to fill critical gaps in their preparedness efforts at State and local levels. The budgets for the various agencies have been consolidated and included under separate cover for your consideration.

The State and local preparedness program can be completed with funds available. No additional funds are requested in fiscal year 1966.

The estimate for disaster relief for fiscal year 1966 is $20 million. This total should be sufficient to provide disaster assistance through fiscal year 1966 unless extraordinarily severe disasters occur.

The estimates for the Office of Emergency Planning, Telecommunications Management, and the other Federal agencies with emergency preparedness assignments have undergone careful and critical review. I believe the budget for fiscal year 1966 represents a reasonable and well-balanced proposal for carrying on the nonmilitary defense program of the Nation and merits your careful and favorable consideration.

Sincerely,

FRANKLIN B. DRYDEN,
*Deputy Director.*

## SUMMARY OF BUDGET ESTIMATES

Mr. THOMAS. Gentlemen, let's go into the budget. We ought to bear in mind that the purpose of this organization is one thing, that the civilians take care of the civilian end of national defense. When you have said that, you have covered it. I have marked the introductory statement. When I start reading it I could not lay it down. I notice you have jurisdiction over natural disasters, stockpiling, resource management, imports, and national security—that is a very narrow and hard word, imports which affect the national security. That is the hardest word which could be used. The jurisdiction is very limited. You have had that jurisdiction now about 5 years. How many cases have you had?

Mr. BELSLEY. Twenty-nine.

Mr. THOMAS. How many do you have pending now?

Mr. BELSLEY. Three.

Mr. THOMAS. What are they?

Mr. BELSLEY. Textiles, tungsten milled products, and antifriction bearings.

Mr. THOMAS. You are not going to mention textiles.

Mr. BELSLEY. I wanted to mention it, even though it was alphabetically out of order.

Mr. THOMAS. Five years and no decision yet.

Contingency measures, emergency agencies. I do not know what all that means, but it reads good. National defense executive research, which overlaps with BDSA. Comprehensive programs, overlapping with OCD. Continuity of Government. That overlaps.

Let us put pages 1, 2, and 3 in the record. They are very interesting.

(The pages follow:)

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF EMERGENCY PLANNING

INTRODUCTION

The Office of Emergency Planning assists the President in directing the national nonmilitary defense effort, whose primary aim is to create and maintain a preparedness to meet all contingencies including a nuclear attack on the United States. The total security of the United States requires a military and nonmilitary preparedness which complement and supplement each other. To successfully wage war and respond and recover from attack requires a predeveloped capability to make immediate and maximum use of remaining resources and to mobilize the entire economy to meet whatever national goals are determined by the President and the Congress. True nonmilitary preparedness also assures the continuation of civil control of government at all levels under the most extreme conditions.

The Office of Emergency Planning discharges its responsibilities in compliance with a series of statutes and Presidential orders, including the National Security Act of 1947, the Defense Production Act of 1950, the Federal Civil Defense Act, the Strategic and Critical Materials Stock Piling Act, the Federal Disaster Act, the Agricultural Trade Development and Assistance Act, the Buy American Act, Reorganization Plan No. 1 of 1958 as amended, and Executive Order 11051.

It is not the spirit of the statutes and orders or the intent of OEP, to create a paper capability; but rather a true, tried, and tested capability to effectively respond to emergencies at all levels of government. The development of such a capability has many facets; such as, full cooperation between Government and industry; the training of large numbers of Executive reservists; the creation of workable economic stabilization and resource management techniques; the development of computer technology for managing resources; and clearly defined arrangements among Federal, State, and local governments. Following is a brief summary of the major areas in which preparedness is being emphasized.

*Natural disaster*

OEP constantly strives to improve its response to States and communities in time of disaster and to assure the maximum assistance from other Federal agencies. Studies are underway to determine if legislative changes are warranted and to determine what can be done to minimize the effect of disasters.

*Stockpiling*

OEP develops overall policies, objectives, and measures for stockpiling military and civilian requirements for both a conventional war and nuclear war. Stockpile supplies and requirements must be continually analyzed and objectives must be regularly updated to meet changing military technology and industrial innovations.

*Resource management*

OEP develops standby organizations, systems, procedures, and techniques for mobilizing the economy and managing the Nation's resources in time of national emergency. The concept of an Office of Defense Resources (ODR) has been approved by the President, and OEP is development an organization that will be instantly ready for mobilization in all of its ramifications (staffing, systems, policies, procedures, etc.).

*Imports and national security*

Under the terms of the Trade Expansion Act of 1962, OEP is required to investigate claims that imports are threatening to impair the national security, and to make appropriate recommendations to the President.

*Contingency measures*

To provide the President with the necessary flexibility in responding to all varieties of emergencies and emergency conditions, a "Digest of Federal Emergency Measures" is being developed. The digest will describe all feasible actions, authorities needed, cost, impact, etc.

*Emergency agencies*

Although the President has assigned by Executive order most of the operating preparedness functions to departments and agencies, three have no peacetime counterpart and remain in OEP. They are economic stabilization, construction, and wartime censorship. For these OEP does the entire job of developing standby organizations and capabilities.

*National defense executive reserve*

The objective is to recruit and train qualified civilian executives for employment by Government in times of emergency. OEP coordinates the program and develops overall policies and standards for recruitment and training. Executive reservists will staff key positions in ODR, economic stabilization and censorship.

*Comprehensive program*

The term "comprehensive" is used because the objective is to insure the survival of civil political authority and a capacity to manage resources at all levels of government. Readiness at the State and local levels is critical since the Federal Government might not be able to immediately function following a nuclear attack. Special appropriations were made by Congress in fiscal years 1964 and 1965 to assist the States in developing a capability to operate in the national interest. The State plans will be completed during fiscal year 1966 and the next phase of testing and exercising and assuring a true capability will have begun.

*Continuity of government*

Statutory lines of succession to office, the protection of vital records, the advance assignment of emergency duties and training in those duties, the creation of dispersed and protected operating centers, and the development of transportation-communication-logistic support are all essential to the preservation of civil control at all levels of government.

Past-year accomplishments and future-year objectives are spelled out in the individual sections of this budget document.

STATUTORY AUTHORITY

Mr. THOMAS. As well as I remember, you have only one function by statute. The rest are all delegated authorities by Executive order of the President, of which there must be 10 or 12.

(Off the record.)

Mr. RICE. There are seven basic statutory authorities under which we operate.

Mr. THOMAS. What are the seven?

Mr. RICE. The National Security Act of 1947——

Mr. THOMAS. What did that act give you?

Mr. RICE. That actually created one of our predecessor agencies and is our basic planning authority.

Mr. THOMAS. It did not give you any duties, though. Go ahead. What is the next one?

Mr. RICE. The Defense Production Act of 1950.

Mr. THOMAS. Yes, you have an act under that and you have not used it. Our distinguished friends over there said the fund was about depleted. Maybe you owe $100 million in interest. What else?

Mr. RICE. The Federal Civil Defense Act.

Mr. THOMAS. What do you have under it?

Mr. RICE. That, of course, is another basic authority for civil preparedness, and in our responsibilities——

Mr. THOMAS. It puts no duty on you, though.

Mr. RICE. The President in reorganizing OCDM——

Mr. THOMAS. That was his authority to issue the Executive order.

Mr. RICE. But he retained in his Executive Office overall responsibility for the total program, including civil defense.

Mr. THOMAS. Did you ever hear any President give up any authority? Go ahead. What is next?

Mr. RICE. The Strategic and Critical Materials Stockpiling Act.

Mr. THOMAS. That is right.

Mr. RICE. The Federal Disaster Act.

Mr. THOMAS. That is three.

Mr. RICE. The Agricultural Trade Development and Assistance Act.

Mr. THOMAS. Do you mean Public Law 480?

Mr. RICE. Yes, sir. Then we have section 232——

Mr. THOMAS. What does section 232 do to you?

Mr. BELSLEY. That is what we were discussing on the imports. He did not mean, I take it, section 232 of the Agricultural Trade Assistance Act, but section 232 of the Trade Expansion Act of 1962.

Mr. THOMAS. That is the basis for the Executive order if it was issued. He has not issued any under that, has he?

Mr. RICE. The act in itself gives us that responsibility.

APPROPRIATION SUMMARY

Mr. THOMAS. You have nothing to do with it, though.

Put the table in here on page 4. This is the appropriation summary.

(The page follows:)

*Appropriation summary*

| Appropriation | 1964 actual | 1965 actual | 1966 estimate |
|---|---|---|---|
| OEP: Salaries and expenses | $4,230,000 | [1] $4,112,000 | $4,989,000 |
| Telecommunications: Salaries and expenses | 465,000 | [1] 729,000 | 1,531,000 |
| State and local preparedness | 1,500,000 | 1,500,000 | |
| Civil defense and defense mobilization functions of Federal agencies | 4,190,000 | [2] 4,365,000 | 5,200,000 |
| Total appropriated to OEP | 10,385,000 | 10,706,000 | 11,720,000 |
| Funds appropriated to the President—Disaster relief | 70,000,000 | 20,000,000 | 20,000,000 |

[1] Includes $241,000 proposed supplemental for costs of civilian pay raise.
[2] Includes $175,000 proposed supplemental for costs of civilian pay raise.

NEW POSITIONS

Mr. THOMAS. You are sure you do not have an increase of 28 jobs here?

Mr. RICE. Yes, sir.

Mr. THOMAS. Governor, these budget officers have sharp pencils and they are all bright and half of them do not sleep. They stay up all night. They gave the general 30 new jobs. I thought maybe he had covered it in here, too. So I was shaving it by 2, saying 28 rather than 30.

Telecommunications—that is under a separate budget.

It all adds up in 1964 you had $10,385,000 against $10,706,000 last year and you want to go up to $11,720,000.

How many new jobs?

Mr. RICE. That represents a net of 27 new positions for telecommunications. They are asking for 30. We are reducing the rest of OEP by three.

PAY ACT COST

Mr. THOMAS. When you subtract OEP you add up to none.

How much do you have in here for pay act increase? You have $241,000 in a proposed supplement. How much did you absorb?

Mr. RICE. We absorbed 13.5 percent, sir.

Mr. THOMAS. What was your total figure?

Mr. RICE. We came to the Congress for $241,000 for a supplemental.

Mr. THOMAS. What did your pay act cost?

Mr. RICE. We are asking for $241,000.

Mr. THOMAS. But what did it cost?

Mr. RICE. You would have to add 13½ percent.

Mr. FRY. $275,000 is the total cost.

Mr. THOMAS. You just barely got under the wire. How much did you have to absorb under the Executive order?

Mr. FRY. Ten percent across the board.

Mr. THOMAS. Let us take a look at the chart. You had 250 positions in 1965 and you are reducing that to 247 this year. It is a very nice chart.

You have 7 regional offices and 53 people in them. At one time you had at Battle Creek about 500 people, did you not?

Mr. RICE. In OCDM there was in the neighborhood of 550 people at Battle Creek.

SALARIES AND EXPENSES, OFFICE OF EMERGENCY PLANNING

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 3,371 | 3,161 | 3,150 |
| 11.3 | Positions other than permanent | 54 | 36 | 36 |
| 11.5 | Other personnel compensation | 15 | 15 | 15 |
| | Total personnel compensation | 3,440 | 3,212 | 3,201 |
| 12.0 | Personnel benefits | 242 | 228 | 227 |
| 21.0 | Travel and transportation of persons | 91 | 131 | 143 |
| 22.0 | Transportation of things | 4 | 4 | 4 |
| 23.0 | Rent, communications, and utilities | 72 | 89 | 164 |
| 24.0 | Printing and reproduction | 29 | 74 | 36 |
| 25.1 | Other services | 184 | 193 | 1,000 |
| 25.2 | Services of other agencies | 139 | 196 | 186 |
| 26.0 | Supplies and materials | 23 | 24 | 24 |
| 31.0 | Equipment | 6 | 4 | 4 |
| 99.0 | Total obligations | 4,230 | 4,155 | 4,989 |

## *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 337 | 250 | 247 |
| Full-time equivalent of other positions | 5 | 3 | 3 |
| Average number of all employees | 299 | 249 | 246 |
| Average GS grade | 11.1 | 11.3 | 11.3 |
| Average GS salary | $11,538 | $12,772 | $12,853 |

## *Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Emergency preparedness: | | | |
| | (a) Economic readiness | 871 | 815 | 876 |
| | (b) Government readiness | 343 | 336 | 281 |
| | (c) Regional, State and local readiness | 800 | 749 | 870 |
| | (d) Policy, research and review | 746 | 759 | 682 |
| | 2. Administration and executive direction | 1,370 | 1,303 | 1,280 |
| | 3. Research and development | 301 | 193 | 1,000 |
| | Total program costs, funded | 4,431 | 4,155 | 4,989 |
| | Change in selected resources [1] | −201 | | |
| 10 | Total obligations | 4,230 | 4,155 | 4,989 |
| | Financing: | | | |
| 16 | Comparative transfers to other accounts | 392 | 726 | |
| 21 | Unobligated balance available, start of year | | −40 | |
| 22 | Unobligated balance transferred from "Salaries and expenses, Federal Reconstruction and Development Planning Commission for Alaska" (Executive Order 11182, Oct. 2, 1964) | | −25 | |
| 24 | Unobligated balance available, end of year | 40 | | |
| 25 | Unobligated balance lapsing | 9 | 25 | |
| | New obligational authority | 4,671 | 4,841 | 4,989 |
| | New obligational authority: | | | |
| 40 | Appropriation | 4,695 | 4,600 | 4,989 |
| 41 | Transferred to "Operating expenses, Public Buildings Services," General Services Administration (77 Stat. 436 and 78 Stat. 655) | −24 | −1 | |
| 43 | Appropriation (adjusted) | 4,671 | 4,599 | 4,989 |
| 44 | Proposed supplemental due to civilian pay increases | | 241 | |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 4,230 | 4,155 | 4,989 |
| 70 | Receipts and other offsets (items 11-17) | 392 | 726 | |
| 71 | Obligations affecting expenditures | 4,622 | 4,881 | 4,989 |
| 72 | Obligated balance, start of year | 712 | 449 | 666 |
| 74 | Obligated balance, end of year | −449 | −666 | −1,155 |
| 77 | Adjustments in expired accounts | −41 | | |
| 90 | Expenditures excluding pay increase supplemental | 4,844 | 4,434 | 4,489 |
| 91 | Expenditures from civilian pay increase supplemental | | 230 | 11 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $469,000 (1964 adjustments, −$90,000); 1964, $1780,000; 1965, $178,000; 1966, $178,000.

SUMMARY DATA

Mr. THOMAS. Let's look at "Salaries and expenses." The table on page 7 gives the appropriation and personnel history. If you look at the table on page 8 it gives you the increases and decreases. It is a very nice piece of work. You have a breakdown by divisions on page 9. We will put these three pages in the record.

(The pages follow:)

*Appropriation and personnel history*

| Period | Positions | Man-years | Obligations | | | Unobligated balance | Total appropriation |
|---|---|---|---|---|---|---|---|
| | | | Compensation and benefits | Other objects | R. & D. contracts | | |
| Fiscal year 1962 | 500 | 464 | $5,167,401 | $2,503,271 | | $217,328 | [1] $7,888,000 |
| Fiscal year 1963 | 390 | 378 | 4,415,786 | 757,484 | | 66,730 | 5,240,000 |
| Fiscal year 1964 [2] | 260 | 299 | 3,682,000 | 429,000 | 110,000 | 9,000 | 4,230,000 |
| Fiscal year 1965 [2] | 250 | 248 | 3,440,000 | 522,000 | 150,000 | | [3] 4,112,000 |
| Fiscal year 1966 [2] | 247 | 245 | 3,428,000 | 561,000 | 1,000,000 | | 4,989,000 |
| Telecommunications: | | | | | | | |
| Fiscal year 1964 | 40 | 37 | 410,000 | 55,000 | | | 465,000 |
| Fiscal year 1965 | 40 | 40 | 427,000 | 52,000 | 250,000 | | 729,000 |
| Fiscal year 1966 [4] | | | | | | | |

[1] See the following:

| | |
|---|---|
| Appropriated to OCDM | $25,000,000 |
| Transferred to other agencies | 17,112,000 |
| Balance remaining in OEP | 7,888,000 |

[2] Excludes telecommunications.
[3] Includes $241,000 proposed supplemental for cost of civilian pay raise.
[4] See separate telecommunications request.

SALARIES AND EXPENSES

RELATION OF FISCAL YEAR 1965 PROGRAM TO FISCAL YEAR 1966 PROGRAM

| | |
|---|---|
| Fiscal year 1965 appropriation | 4,600,000 |
| Proposed supplemental for cost of civilian pay raise | 241,000 |
| Subtotal | 4,841,000 |
| Less cost of telecommunications | −729,000 |
| OEP portion of fiscal year 1965 appropriation | 4,112,000 |
| Fiscal year 1966 request | 4,989,000 |
| Net change | +877,000 |

Details of change:

| | |
|---|---|
| Expansion of contract R. & D. program | +850,000 |
| Sligtly lower average employment | −12,000 |
| Increased travel to support comprehensive program | +12,000 |
| First year's rent at 2 new relocation sites | +75,000 |
| Less printing, national plan completed | −38,000 |
| Phasing out contract with DHEW | −10,000 |
| Net change | +877,000 |

*Financial and personnel summary*

| Office | 1964 actual | | 1965 estimate | | 1966 estimate | | Change 1965–66 obligations |
|---|---|---|---|---|---|---|---|
| | Positions | Obligations | Positions | Obligations | Positions | Obligations | |
| Economic Affairs | 36 | $504,172 | 31 | $467,000 | 32 | $491,000 | +$24,000 |
| Resource Readiness | 26 | 363,495 | 21 | 309,000 | 23 | 353,000 | +44,000 |
| Government Readiness | 26 | 362,235 | 23 | 334,000 | 19 | 276,000 | −58,000 |
| Program Development | 18 | 300,675 | 18 | 249,000 | 12 | 172,000 | −77,000 |
| Analysis and Research | 17 | 264,643 | 15 | 264,000 | 15 | 266,000 | +2,000 |
| Program Evaluation | 13 | 176,405 | 14 | 208,000 | 14 | 194,000 | −14,000 |
| Administration | 47 | 522,538 | 47 | 468,000 | 42 | 415,000 | −53,000 |
| Agencywide | | | 4 | 30,000 | 5 | 39,000 | +9,000 |
| Legal adviser | 5 | 95,029 | 6 | 84,000 | 6 | 84,000 | |
| Liaison, public affairs, and information | 12 | 164,796 | 11 | 158,000 | 11 | 159,000 | +1,000 |
| Executive Direction | 15 | 228,280 | 15 | 225,000 | 15 | 225,000 | |
| Regional offices | 45 | 699,257 | 45 | 644,000 | 53 | 754,000 | +110,000 |
| Total, personnel compensation and benefits | 260 | 3,681,525 | 250 | 3,440,000 | 247 | 3,428,000 | −12,000 |
| Other objects | | 429,068 | | 522,000 | | 561,000 | +39,000 |
| Subtotal | | 4,110,593 | | 3,962,000 | | 3,989,000 | +27,000 |
| R. & D. contracts | | 110,000 | | 150,000 | | 1,000,000 | +850,000 |
| Total obligations | | 4,220,593 | | 4,112,000 | | 4,989,000 | +877,000 |
| Unobligated balance | | 9,407 | | | | | |
| Total appropriation, OEP salaries and expenses | | 4,230,000 | | [1] 4,112,000 | | 4,989,000 | +877,000 |

[1] Includes $241,000 proposed supplemental for civilian pay raise.

Mr. THOMAS. I will ask the committee to be looking at the increase of nearly $1 million under "Research and development." We will take that up in a minute.

On page 8 it is broken out in pluses and minuses but he is charging for jobs that go in telecommunications.

Has the Bureau of the Budget approved the separation, Governor?

Mr. ELLINGTON. No, sir.

Mr. THOMAS. And until it is approved, I suppose you will have to wrestle with it?

Mr. ELLINGTON. Yes, sir.

Mr. THOMAS. Look at page 10, your obligations by object class. Your travel goes up $12,000. Rent, communications, and utilities go up $75,000. Why that sudden increase of $75,000?

## EMERGENCY OPERATING SITES

Mr. RICE. Sir, as you know, most of the executive departments have responsibility for their own protective facilities. There are two areas in which we have direct responsibility. One is censorship and the other is economic stabilization. This is to prepare two protective sites for those operations.

Mr. THOMAS. What do you say about it on pages 80 and 82? I do not remember.

Mr. RICE. We do not discuss it in detail, sir.

Mr. THOMAS. No wonder I do not remember.

Mr. FRY. It is on page 81, the bottom line.

Mr. THOMAS (reading):

**The increase of $56,000 in other rent will provide for the full year's rent at two newly modified relocation sites.**

Are these secret sites?

Mr. RICE. Yes, sir.

Mr. THOMAS. I will not ask you their location but what is the nature of the expenditure?

Mr. RICE. It is for rent and upkeep of the buildings.

Mr. THOMAS. It is not on Government-owned land?

Mr. RICE. No, sir. It is on university land. But it is a relatively nominal fee for such a large facility.

Mr. JONAS. Did we not have enough Government land, enough military installations?

Mr. FRY. One of the universities was building a new building and we took a basement we could renovate at low cost.

Mr. RICE. The location is based on the function of the operation.

Mr. JONAS. You did not have any land or facilities in that area?

Mr. RICE. No, sir.

Mr. JONAS. Did you check to see?

Mr. RICE. Yes, sir.

EXPENSES BY OBJECT CLASSIFICATION AND PERSONNEL DATA

Mr. JONAS. Mr. Chairman, do you want to put the green sheet in the record?

Mr. THOMAS. Yes. Put both page 10 and the green sheet, page 11, in the record.

(The pages follow:)

*Obligations by object class*

| | Object class | 1964 actual | 1965 estimate | 1966 estimate | Change 1965–66 |
|---|---|---|---|---|---|
| 11 | Personnel compensation | $3,439,953 | $3,212,000 | $3,201,000 | −$11,000 |
| 12 | Personnel benefits | 242,022 | 228,000 | 227,000 | −1,000 |
| 21 | Travel | 90,884 | 131,000 | 143,000 | +12,000 |
| 22 | Transportation of things | 3,962 | 44,000 | 4,000 | |
| 23 | Rent, communications, and utilities | 71,996 | 89,000 | 164,000 | +75,000 |
| 24 | Printing and reproduction | 28,974 | 74,000 | 36,000 | −38,000 |
| 25 | Other services | 139,469 | 196,000 | 186,000 | −10,000 |
| | Research and development | 183,500 | 150,000 | 1,000,000 | +850,000 |
| 26 | Supplies and materials | 22,804 | 24,000 | 24,000 | |
| 31 | Equipment | 6,366 | 4,000 | 4,000 | |
| 42 | Insurance claims | 38 | | | |
| | Total obligations | 4,229,968 | 4,112,000 | 4,989,000 | +877,000 |

*Detail of personnel compensation—Summary*

| Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Number | Salary | Number | Salary | Number | Salary |
| Presidential appointees | 4 | $86,000 | 4 | $107,500 | 4 | $107,500 |
| GS–18 | 9 | 180,000 | 6 | 147,000 | 6 | 147,000 |
| GS–17 | 10 | 191,500 | 10 | 231,700 | 10 | 233,200 |
| GS–16 | 6 | 108,000 | 7 | 148,265 | 7 | 148,265 |
| GS–15 | 64 | 1,105,560 | 56 | 1,034,620 | 56 | 1,042,030 |
| GS–14 | 50 | 713,155 | 32 | 487,740 | 32 | 492,150 |
| GS–13 | 22 | 265,280 | 8 | 101,220 | 7 | 89,985 |
| GS–12 | 9 | 94,760 | 5 | 56,220 | 4 | 45,970 |
| GS–11 | 23 | 200,430 | 20 | 182,735 | 19 | 174,380 |
| GS–10 | 2 | 16,640 | 2 | 16,890 | 2 | 17,160 |
| GS–9 | 25 | 197,140 | 27 | 216,010 | 27 | 216,990 |
| GS–8 and under | 113 | 666,109 | 73 | 469,589 | 73 | 471,869 |
| Total, permanent positions | 337 | 3,824,574 | 250 | 3,199,489 | 247 | 3,186,499 |
| Plus pay above stated annual rate | | 25,202 | | 11,000 | | 11,000 |
| Less lapses (includes 77 positions abolished during fiscal year 1964) | −43 | −414,013 | −4 | −47,653 | −4 | −47,499 |
| Less savings due to lower pay scales for part of year | | −65,107 | | −1,836 | | |
| Plus other personnel compensation | | 69,297 | | 51,000 | | 51,000 |
| Average employment, total compensation | 294 | 3,439,953 | 246 | 3,212,000 | 243 | 3,201,000 |
| Personal benefits | | 242,022 | | 228,000 | | 227,000 |
| Total, compensation and benefits | | 3,681,975 | | 3,440,000 | | 3,428,000 |

## Economic Affairs Office

Mr. Thomas. Let us look at the Economic Affairs Office. [Reading:]

The Economic Affairs Office develops policies and programs to insure economic readiness to meet the contingencies of international tension, limited war, and general war.

And when you add it up he has two or three duties:

1. Development and maintenance of a capability to manage effectively the Nation's resources and to insure availability of those resources essential for survival of the population and rehabilitation of the national economy under any emergency situation.
2. Establishment and maintenance of facilities and stocks of materials to meet essential military and civilian needs under any emergency situation.
3. Determination of the impact of imports and trade negotiations on national security.

Do you have rationing under this?

Mr. Rice. That is in the Resource Readiness Office, sir.

Mr. Thomas. Not in the Economic Affairs Office?

Mr. Rice. No, sir.

Mr. Thomas. Put in pages 12 and 13.

(The pages follow:)

*Economic Affairs Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 36 | 31 | 32 |
| Personnel compensation and benefits | $504,172 | $464,000 | $488,000 |

The Economic Affairs Office develops policies and programs to insure economic readiness to meet the contingencies of international tension, limited war, and general war. The long-range objectives are:

1. Development and maintenance of a capability to manage effectively the Nation's resources and to insure availability of those resources essential for survival of the population and rehabilitation of the national economy under emergency situation.
2. Establishment and maintenance of facilities and stocks of materials to meet essential military and civilian needs under any emergency situation.
3. Determination of the impact of imports and trade negotiations on national security.

*Resource management*

This Division is developing a standby organization and the necessary systems and control techniques which will be required to carry out central resource management in times of serious national emergency. This organization, the Office of Defense Resources (ODR), will be the focal point of the national emergency resource management effort. The ODR will advise and assist the President in the formulation of resource policies and objectives and will implement and direct an overall system for reaching central resources management decisions for the most effective utilization of the Nation's resources. It will provide national direction and coordination to the overall economic mobilization effort.

Modern analysis systems, with the help of electronic computers, now have the potential to simulate the entire national economy and to compute the effects of changes in one sector of the economy on other aspects of the economy. These systems, when fully developed, can be utilized to point up problems and suggest measures to prevent production bottlenecks, costly delays, and inefficient allocation of scarce resources.

*Major fiscal year 1964 accomplishments*

1. Completed the master concept for the "Central Management of Resources After Nuclear Attack," which was presented in a report to the President. Report accepted by Emergency Planning Committee and the concept (ODR) has been approved by the President.
2. Completed the "Resource Management Chapter of the National Plan."
3. Revised policies and procedures governing the Federal Government claimancy systems. Issued OEP Circular 8500.4, "Designation of Federal Claimant Agencies for Emergency Preparedness Planning" for the guidance of all agencies.
4. Revised procedures governing use of all resources at all levels of government during an emergency. Issued OEP Defense Mobilization Order 8500.1A, "Guidance on Priority Use of Resources in Immediate Postattack Period," for the guidance of industry and Government.

GRADES—ECONOMIC AFFAIRS

Mr. THOMAS. Let us take a look at these green sheets.

Insert pages 21 and 22 in the record.

(The pages follow:)

ECONOMIC AFFAIRS OFFICE

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Director's Office: | | | | | | | |
| Office Director | GS–18 | 1.0 | $20,000 | 1.0 | $24,500 | 1.0 | $24,500 |
| Executive assistant | GS–15 | 1.0 | 19,270 | 1.0 | 21,590 | 1.0 | 21,590 |
| Secretary | GS–9 | 1.0 | 8,180 | 1.0 | 8,445 | 1.0 | 8,690 |
| Various | GS–8 and under | 1.0 | 6,380 | 1.0 | 6,640 | 1.0 | 6,640 |
| Subtotal | | 4.0 | 53,830 | 4.0 | 61,175 | 4.0 | 61,420 |
| Stockpile and requirements: | | | | | | | |
| Division Chief | GS–17 | 1.0 | 20,000 | 1.0 | 24,445 | 1.0 | 24,445 |
| Assistant Division Chief | GS–16 | 1.0 | 18,000 | 1.0 | 21,555 | 1.0 | 21,555 |
| Industrial specialist | GS–15 | 5.0 | 89,655 | 5.0 | 94,840 | 5.0 | 95,920 |
| Do | GS–14 | 2.0 | 30,830 | 2.0 | 32,260 | 2.0 | 32,750 |
| Program officer | GS–13 | 1.0 | 11,730 | | | | |
| Program analyst | GS–11 | 1.0 | 8,445 | 1.0 | 8,945 | 1.0 | 8,945 |
| Do | GS–9 | 2.0 | 14,060 | 1.0 | 7,220 | 1.0 | 7,220 |
| Various | GS–8 and under | 6.0 | 37,435 | 5.0 | 32,890 | 5.0 | 32,890 |
| Subtotal | | 19.0 | 230,155 | 16.0 | 222,155 | 16.0 | 223,725 |
| Resource Management: | | | | | | | |
| Division Chief | GS–17 | 1.0 | 19,500 | 1.0 | 23,695 | 1.0 | 23,695 |
| Resource Management officer | GS–15 | 2.0 | 35,965 | 2.0 | 38,050 | 3.0 | 54,510 |
| Resource Management officer | GS–14 | 1.0 | 13,615 | | | | |
| Program analyst | GS–9 | 1.0 | 7,030 | 1.0 | 7,220 | 1.0 | 7,220 |
| Various | GS–8 and under | 2.0 | 12,570 | 2.0 | 13,230 | 2.0 | 13,230 |
| Subtotal | | 7.0 | 88,680 | 6.0 | 82,195 | 7.0 | 98,655 |
| Special Assistant for Petroleum and Trade Negotiation: | | | | | | | |
| Program officer | GS–15 | 2.0 | 35,965 | 2.0 | $38,050 | 2.0 | 38,620 |
| Do | GS–13 | 1.0 | 12,110 | 1.0 | 12,495 | 1.0 | 12,495 |
| Program analyst | GS–11 | 1.0 | 8,410 | | | | |
| Various | GS–8 and under | 2.0 | 15,300 | 2.0 | 15,900 | 2.0 | 15,900 |
| Subtotal | | 6.0 | 71,785 | 5.0 | 66,445 | 5.0 | 67,015 |
| Permanent positions, yearend | | 36.0 | 444,450 | 31.0 | 431,970 | 32.0 | 450,815 |
| Plus: Cost of 4 positions abolished during fiscal year 1964 (including terminal leave). | | +4.0 | 53,587 | | | | |
| Less: | | | | | | | |
| Lapse | | −3.1 | −29,907 | −.6 | −6,720 | −.3 | −2,815 |
| Higher pay for part of year | | | −9,460 | | −250 | | |
| Plus: Other personnel compensation | | | 13,690 | | 11,000 | | 11,000 |
| Average employment, total compensation. | | 36.9 | 472,360 | 30.4 | 436,000 | 31.7 | 459,000 |
| Personnel benefits | | | 31,812 | | 31,000 | | 32,000 |
| Total, compensation and benefits. | | | 504,172 | | 467,000 | | 491,000 |

Mr. THOMAS. There is one thing about it, you have some high-powered people in the Economic Affairs Office. Who is the head of this office, a GS–18?

Mr. RICE. Mr. Belsley.

Mr. THOMAS. Where do you come from, Doctor?

Mr. BELSLEY. I can claim Illinois and California, sir.

Mr. THOMAS. Are you an economist?

Mr. BELSLEY. I am a mixture. If you would like to have me give a detailed background I will be delighted to do so. I am afraid it would bore you.

Mr. THOMAS. Tell us about it.

Mr. BELSLEY. Well, sir, I majored in chemistry. I received an M.A. in international affairs. Later I received a Ph. D. here in Washington from the Robert Brookings Graduate School of Economics and Government which later became part of the Brookings Institution.

Mr. THOMAS. You have a little calculus?

Mr. BELSLEY. No, sir.

Mr. JONAS. Did you skip law?

Mr. BELSLEY. I did not study law. I wish I were a lawyer.

Mr. THOMAS. How long have you been with the Government?

Mr. BELSLEY. Since 1928 with some time out for work outside Government.

Mr. THOMAS. You are a very valuable man.

Mr. RICE. Mr. Chairman, he is being modest. He was Executive Secretary of the War Production Board during the war.

Mr. THOMAS. I know he knows a lot.

In stockpile and requirements he has a 17, a 16, five 15's, and two 14's.

I did a lot of calculations on these green sheets and I found 50 percent are 13's and above.

How many vacancies do you have?

Mr. FRY. At this moment, five.

Mr. THOMAS. I will bet you do not have a vacancy in 13 and above?

Mr. FRY. We have one GS–15 vacancy.

Mr. THOMAS. Do you suppose we could file an application for that?

Mr. RHODES. We could not possibly qualify.

Mr. GIAIMO. Mr. Chairman, could I ask a question here?

Mr. THOMAS. Surely.

COPPER SHORTAGE

Mr. GIAIMO. Is copper one of the materials you stockpile?

Mr. BELSLEY. Yes.

Mr. GIAIMO. Could anybody tell me what is happening to copper? We are getting complaints in Connecticut that they cannot buy it.

Mr. BELSLEY. We have heard those screams, too. As you probably know, a bill was passsed releasing 100,000 short tons of copper. This is pending now on the desk of the President. The sale of the 100,000 tons will be initiated just as soon as it is physically possible to do this after the President signs the bill. The sale will be made to consumers or users of copper based on their need as demonstrated in this instance to the Business and Defense Services Administration, and the General Services Administration will sell against the certification of the Business and Defense Services Administration.

Mr. THOMAS. How many tons do we have and what is our requirement of copper under the 5-year plan and under the 3-year plan?

Mr. BELSLEY. I do not have the tonnage under the 5-year plan but under the 3-year plan it is 775,000 tons.

Mr. THOMAS. And how many do you have?

Mr. BELSLEY. Just a little over 1 million.

Mr. GIAIMO. This release you spoke of applies to brass and copper but it does not help the wire mills except indirectly?

Mr. BELSLEY. This is correct. We made this quite clear at the hearing in the Senate that the cathode copper and the wire bar were

needed against this objective of 775,000 tons. They do not equal that. Therefore, on the disposal this took two basic forms, one brass with a little bronze and also a substantial amount of fire refined copper. We pointed out this would help the brass mills but not directly the wire mills.

Mr. GIAIMO. What is going on in the copper market? I think the spot price is 34 cents and they have to pay 52 cents to buy it.

Mr. BELSLEY. Copper has been short.

Mr. GIAIMO. Is that what it is?

Mr. BELSLEY. Yes. I do not know if you had arrived when I pointed out there had been pressure on all the nonferrous metals in the last 2 years, particularly the last year. That goes for copper, lead, tin, that whole group, as the demand for those metals has been going up.

Mr. RHODES. Off the record.

(Discussion off the record.)

Mr. GIAIMO. What is going to happen with copper? Can you predict this?

Mr. BELSLEY. On this we have to rely, and we do rely, on some of the estimates made by the Business and Defense Services Administration. They have estimated that by midyear the situation would be relieved.

Mr. GIAIMO. Why?

Mr. BELSLEY. Increased production and with the increased production would come a decrease of a tendency which I think we all feel is the case but it is very difficult to show, but it can be shown on census confidential information, that whenever there is a threatened shortage, as I pointed out earlier, the consumers, the users, begin to acquire against a possible disruption of the market, and they go into hoarding, if you want to call it that, which aggravates the situation.

Mr. GIAIMO. In the last week two plants in Connecticut called me. The first plant will have to start laying off 300 or 400 men because they cannot buy copper for production, and the other plant will have to think about laying off 500 men. Here we are with an economy that is booming and we are faced with the problem that we cannot get this raw material.

Mr. THOMAS. And we have it in the stockpile.

Mr. GIAIMO. Do you need all that is in the stockpile?

Mr. BELSLEY. As I said, we have released 100,000 tons.

Mr. GIAIMO. But you have an additional 775,000 tons?

Mr. BELSLEY. But that is needed.

Mr. THOMAS. Why cannot private industry carry this stockpile as well as the Government?

Mr. BELSLEY. As I pointed out, the Business and Defense Services Administration has estimated and confirmed the estimate that this should be eased up by the end of the year.

Mr. THOMAS. By the time Congress gets through passing legislation the pressure is off. It takes too long to act.

Mr. JONAS. Not only that, it disturbs the market.

Mr. BELSLEY. As you know, there is a bill pending that would simplify this.

Mr. RHODES. Is there not legal authority now in existence to dispose of stockpiled material that is in excess of the objective?

Mr. BELSLEY. We may dispose of what is known as the National Production Act inventory without legislation, but the material in the national stockpile and in the supplemental stockpile can be released only with congressional approval.

Mr. RHODES. Off the record.

(Discussion off the record.)

## RESOURCE READINESS OFFICE

Mr. THOMAS. Let us take a look at the Resource Readiness Office. You have 21 people now and you want 23 next year.

Put in pages 23, 24, and 25 in the record.

(The pages follow:)

*Resource Readiness Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 26 | 21 | 23 |
| Personnel compensation and benefits | $363,495 | $309,000 | $353,000 |

The Resource Readiness Office is the focal point for directing and coordinating the nonmilitary defense efforts of those Federal departments and agencies which have statutory and Presidentially assigned responsibilities and must be prepared to assume added responsibilites in time of national emergency. A basic objective of the Nation's preparedness program is to build emergency operating capability into existing Government structures and avoid the creation of separate wartime agencies wherever possible.

By Executive order, the President has assigned emergency preparedness responsibilities to 30 departments and agencies. The Resource Readiness Office provides coordination, guidance, and assistance to these departments and agencies in the development of specific programs for health, manpower, housing, production, power, food, welfare, fuels, transportation, and water. Emphasis is being placed on developing the emergency readiness of field units of Federal departments and agencies. This Office also develops the economic stabilization and construction programs (these have not been assigned to a department or agency).

The Resource Readiness Office also plays a major role in the implementation of the comprehensive program for the emergency management of resources at the State and local levels. This Office provides the basic guidance to the Federal departments and agencies and coordinates them and their field offices in their assistance to State and local governments in the development of State and local preparedness.

*Major fiscal year 1964 accomplishments*

1. State and local plans:

(*a*) Negotiated a fundamental basis of understanding with OCD which made possible a unified and nonconflicting Federal guidance to States in emergency resource planning. This involved complex questions of primary and secondary resources.

(*b*) Developed standards and procedures for the administration of the State and local preparedness appropriation.

(*c*) Provided technical control over contracts being negotiated with the States under the State and local preparedness appropriation.

(*d*) Completed and issued "An Example of a State Plan for the Emergency Management of Resources." This guidance has enabled Federal resource agencies and State planning groups to more quickly and easily begin the development of State resource management plans. The entire Resource Readiness Office staff contributed to the development of this guidance.

2. Health resources:

(*a*) Published DMO–8540.1 "Health Manpower Occupations." This defines health skills by occupational title and provides that persons possessing such skills be made available to provide health services in an emergency.

(*b*) Prepared, in cooperation with the Public Health Service, the health chapter of the national plan.

(*c*) Provided staff support to the Health Resources Advisory Committee and the Committee on Blood.

(*d*) Reviewed the essential medical, water, and sanitation items on the essential survival items list and expanded the categories to provide more detail and completeness.

3. Manpower resources:

(*a*) Coordinated the preparation of the manpower chapter of the national plan.

(b) Coordinated the work of the Department of Labor, Department of Defense, Department of Health, Education, and Welfare, Civil Service Commission, and the Selective Service System in revising Federal manpower mobilization plans.

(*c*) Developed procedures for achieving balance between military and civilian manpower requirements in time of emergency.

(*d*) At the request of the Department of Defense initiated a screening program to assure that key civil employees of the Federal Government are not in the military Ready Reserve.

(*e*) Developed with the Department of Labor and the National Labor-Management Manpower Policy Committee procedures for establishing area labor-management committees under emergency conditions.

Mr. THOMAS. (Reading):

The Resource Readiness Office is the focal point for directing and coordinating—

if we did not have that word "coordinating" in the language we would be in bad shape—

the nonmilitary defense of those Federal departments and agencies which have statutory and Presidentially assigned responsibilities and must be prepared to assume added responsibilities in time of national emergency.

Why does it take 23 people to marshal about $5.5 million in 12 or 13 agencies? Take a look at the green sheet. You have high-powered people. You have an 18, two 17's, and a 16.

Put in the green sheet on page 35 in the record.

(The page follows:)

RESOURCE READINESS OFFICE

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Office Director | GS-18 | 1.0 | $20,000 | 1.0 | $24,500 | 1.0 | $24,500 |
| Chief, Transportation Division | GS-17 | 1.0 | 20,000 | 1.0 | 24,455 | 1.0 | 24,455 |
| Chief, Stabilization Division | GS-17 | 1.0 | 19,000 | 1.0 | 22,945 | 1.0 | 23,695 |
| Chief, Manpower Division | GS-16 | 1.0 | 18,000 | 1.0 | 21,555 | 1.0 | 21,555 |
| Program officer | GS-15 | 6.0 | 105,835 | 5.0 | 94,270 | 7.0 | 129,410 |
| Do | GS-14 | 2.0 | 29,930 | 1.0 | 17,110 | 1.0 | 17,110 |
| Program analyst | GS-11 | 1.0 | 8,410 | 1.0 | 8,650 | 1.0 | 8,650 |
| Do | GS-9 | 3.0 | 21,090 | 1.0 | 7,220 | 1.0 | 7,220 |
| Secretary | GS-9 | 2.0 | 16,360 | 1.0 | 8,690 | 1.0 | 8,690 |
| Various | GS-8 and under | 8.0 | 53,425 | 8.0 | 53,220 | 8.0 | 53,820 |
| Permanent positions, year-end | | 26.0 | 312,050 | 21.0 | 282,615 | 23.0 | 319,105 |
| Plus cost of 7 positions abolished during fiscal year 1964 (including terminal leave) | | 7.0 | 71,338 | | | | |
| Less higher pay for part of year | | | −6,815 | | −175 | | |
| Less lapses | | −4.6 | −44,497 | −.7 | −6,440 | −.5 | −4,105 |
| Plus other personnel compensation | | | 7,416 | | 12,000 | | 14,000 |
| Average employment, total compensation | | 28.4 | 339,492 | 20.3 | 288,000 | 22.5 | 329,000 |
| Personnel benefits | | | 24,003 | | 21,000 | | 24,000 |
| Total, compensation and benefits | | | 363,495 | | 309,000 | | 353,000 |

Mr. THOMAS. Why do you need these 23 people?

Mr. RICE. First of all, the $5.2 million that is requested only covers nine agencies. There are 31 agencies engaged in this work day in and day out.

Mr. THOMAS. But you do not need 23 people to supervise them. You have high-powered people. It must be a dull existence.

Mr. RICE. Considering the whole list of resources, we have less than one man each.

Mr. THOMAS. What do you do with the 23?

Mr. RICE. We have one transportation expert, one man covers food and welfare resources——

Mr. THOMAS. They have the same high-powered man in Agriculture and he says he is worked to death.

Mr. COSGROVE. Currently we have flowing from the States these resource plans which this division reviews. This is a substantial amount of work they have to do. This is a type of coordination. Some is inhouse.

Mr. THOMAS. There are experts in Agriculture and so far as I know they are very capable and know the subjects.

GOVERNMENT READINESS OFFICE

Let us take a look at the Government Readiness Office (reading):

The Government Readiness Office develops policy and is the focal point for coordinating Federal efforts to insure the continuity of duly constituted leadership and the capability of governments, at all levels, to operate effectively in any emergency.

And that is why OCD has a big staff, too.
Put pages 36 and 37 in the record.
(The pages follow:)

*Government Readiness Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 26 | 23 | 19 |
| Personnel compensation and benefits | $362,235 | $334,000 | $276,000 |

The Government Readiness Office develops policy and is the focal point for coordinating Federal efforts to insure the continuity of duly constituted leadership and the capability of governments, at all levels, to operate effectively in any emergency.

Preparations to preserve viable Federal, State, and local government include programs to assure an adequate depth of succession, predelegation to field officials of emergency authorities, the emergency movement of key personnel, provision of protected emergency operating facilities, preservation of essential records, and survivable communications. Basic guidance is provided to State and local government officials to assist in establishing parallel activities at those levels.

In addition, Government Readiness Office is responsible for the development of emergency public information and emergency censorship programs, administering the National Defense Executive Reserve program, directing and coordinating Federal disaster relief in accordance with Public Law 81–875, and developing, coordinating, and directing the plans for reconstruction of Alaska in accordance with the responsibilities transferred to OEP from the Federal Reconstruction and Development Planning Commission for Alaska by Executive Order 11182.

*Major fiscal year 1964 accomplishments*

1. An emergency public information program was developed and organized to provide the President and other national leaders a means to communicate with the public in time of emergency. White House press corpsmen have been selected to form a working pool to implement this program; an essential element in this program is the broadcasting system developed by FCC.

2. Total enrollment in the National Defense Executive Reserve was increased to 3,240 with 10 departments and agencies having established units. Thirty-seven field-training conferences for reservists were conducted in fiscal year 1964. Executive Order 11179 was issued to update and improve the Executive Reserve recruitment and appointment system.

3. A system has been established to determine the location of presidential successors at all times, and a briefing to acquaint these successors with necessary procedures and communications available has been prepared. The lines of succession for Federal departments and agencies established under OEP guidance have been maintained.

4. An active program has been carried out to encourage State and local governments to adopt specific continuity of Government measures providing for succession, emergency relocation of seats of Government, and preservation of essential records. Forty-nine States have now enacted some or all of the suggested legislation to insure State and local government continuity.

5. Eighty-five sites in the Washington area are prepared for emergency use. Twenty-three of these sites serve as headquarters emergency operating facilities for 43 nonmilitary agencies. All of these 23 sites are interconnected with the Interagency Communications System (ICS) to which this office also provides policy direction.

Mr. THOMAS (reading):

Total enrollment in the National Defense Executive Reserve was increased to 3,240 with 10 departments and agencies having established units.

That is in the teeth of BDSA in the Department of Commerce.

PROGRAM DEVELOPMENT OFFICE

Let us take a look at the Program Development Office. You had 18 people and you are asking for 12 for 1966.

Put pages 42 and 43 in the record.

(The pages follow:)

*Program Development Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 18 | 18 | 12 |
| Personnel compensation and benefits | $300,675 | $249,000 | $172,000 |

The Program Development Office provides the broad and basic guidelines from which the nonmilitary defense programs are developed at all levels. Guidelines include presidentially approved long-range objectives, a national plan, a digest of predefined emergency measures, military and economic assumptions, assignments of emergency responsibilities among the Federal departments and agencies, and the relative priorities among the many objectives and programs. This Office also makes special studies on broad questions such as what can be done to preserve basic American institutions following nuclear attack or other severe disaster. This Office provides staff support to the Interagency Emergency Planning Committee, the principal vehicle for coordinating nonmilitary defense within the executive branch.

*Major fiscal year 1964 accomplishments*

1. Authoritative assumptions (military, economic, and political) were developed and approved by the President to guide OEP and the Federal departments and agencies as a basis for long-range program objectives.

2. Ten of the 16 chapters of the national plan for emergency preparedness were completed and released as interim issuances. Drafts of the remaining six chapters were cleared and plans were made for the printing and distribution of a unified document in the first half of fiscal year 1965.

3. A digest of specific actions and measures which could be implemented in an emergency was 60 percent completed. This digest will ultimately include a wide selection of predetermined actions, ranging from the establishment of a censorship office to providing transportation to emergency relocation sites, which could be taken during any crisis situation ranging from limited emergencies to nuclear war. These plans will replace plans C and D-minus. This approach has an additional value in that it causes the Federal departments and agencies to reassess their emergency plans and to pinpoint weaknesses and gaps in the total emergency structure.

4. Special studies on the preservation of the Presidency and on the use of statutory and emergency war powers of the President were made. Studies were conducted and recommendations for the assignment of responsibility for emergency information and economic stabilization were forwarded to the Director and the Emergency Planning Committee (OEP, BOB, and DOD).

5. Provided staff support for the Interagency Emergency Planning Committee. Coordinated the preparation of 23 "Position Papers" designed to resolve specific interagency preparedness problems.

*Major objectives for fiscal years 1965 and 1966*

1. Provide staff support to the Committee on Assumptions for Nonmilitary Planning which will review and update annually, by presidential direction, the official assumptions.

2. Issue a current statement of the 5-year objectives of emergency preparedness for the guidance of Federal agencies in developing detailed programs. Issue a statement of program priorities for fiscal year 1966.

Mr. THOMAS (reading):

The Program Development Office provides the broad and basic guidelines from which the nonmilitary defense programs are developed at all levels.

Just tell me what that language means. I will not ask you, Governor.

Your green sheet shows you have an 18, a 17, five 15's.

ANALYSIS AND RESEARCH OFFICE

Let us take a look at the Analysis and Research Office.
Put pages 46, 47, and 48 in the record.
(The pages follow:)

*Analysis and Research Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 17 | 15 | 15 |
| Personnel compensation and benefits | $264,643 | $261,000 | $266,000 |

The Analysis and Research Office is responsible for the design and coordination of a comprehensive emergency preparedness research program within the structure of the Federal agencies having emergency responsibilities. This office encourages relevant research within the Goverment structure, coordinates these research efforts, conducts a contract program to advance emergency preparedness, and provides policy guidance and direction to the National Resource Evaluation Center (NREC) established within OEP. In addition, this Office provides executive staff support to the Director in discharging his ditties as a member of the National Security Council and comparable support for the Emergency Planning Committee and the Program Advisory Committee.

The Analysis and Research Office keeps OEP up to date on results of contemporary research studies and projects and provides data, analyses, and facts to assure that the latest scientific and technical knowledge is being utilized in solving emergency preparedness problems and in designing emergency preparedness measures.

NREC is a governmentwide activity supported by 23 Federal departments and agencies with a large computer facility used as a basic tool in developing emergency preparedness and which has great potential as an analytical tool in the development of peacetime Federal programs. The Analysis and Research Office also maintains contact with the intelligence community, evaluates intelligence information, and keeps OEP staff abreast of pertinent intelligence developments.

*Major fiscal year 1964 accomplishments*

1. The program analysis for resource management (PARM) system is reaching an operational status. Test runs are being conducted and staff members are being trained by the contractor, the National Planning Association (NPA), to assume management of the system. The anticipated uses of a fully developed PARM model are to: (*a*) quickly develop consistent and quantitative bases for decisions on broad programs of preattack stockpiling and postattack priorities and allocations, (*b*) compare estimates of effectiveness of alternative preparedness measures (*c*) develop decisionmaking skills for postattack resource management and detect present weaknesses in the decisionmaking process, (*d*) provide a basis for the evaluation of feasibility and effects of production programs proposed for limited wars, (*e*) develop a better understanding of economic warfare effects, (*f*) estimate effectiveness of proposed programs for strengthening the mobilization base and stimulating economic growth, and (*g*) estimate the impacts of stipulated changes in the economy.

2. Through the issuance of an OEP circular, NREC's assignments and service role were clarified. Some of the specific achievements of NREC in fiscal year 1964 were—

(*a*) *Studies.*—Support was given to the Department of the Army for location of defensive missile stations, and to OCD for improved analyses. A special regional nuclear attack hazard in continental United States (NAHICUS) study was made and initial computations were made to extend the NAHICUS study to include Canadian population and industrial centers.

(*b*) *Analytical capability.*—The prototype interindustry analysis model, PARM, developed under OEP contract by NPA has been programed into the NREC. Completed the basic elements of the new damage assessment and vulnerability analysis systems designed to take full advantage of the scope and versatility of the new computer.

(*c*) *Equipment.*—The new CDC 3600 computer was installed. This new system can increase NREC computational capability fivefold when all the computer programs are revised. Scanning equipment, newly developed by the Bureau of Standards, has been installed to increase the speed and efficiency of assimilating reports on resource status under all situations.

(*d*) *Data development.*—Expansions and improvements in the resource library of the computer facility were made. This library now includes more than 750,000 separate resource records. This data has been accumulated through the cooperation of 23 Federal departments and agencies.

(*e*) *Emergency readiness.*—An improved system for processing and applying weather prediction data in a postattack situation was developed. New arrangements were made to insure adequate flow of information both pre- and post-attack.

3. Established an interdepartmental Emergency Preparedness Research Committee and prepared an inventory of emergency preparedness research within the Federal Government.

Mr. THOMAS (reading):

The Analysis and Research Office is responsible for the design and coordination of a comprehensive emergency preparedness research program within the structure of the Federal agencies having emergency responsibilities. This office encourages relevant research within the Government structure, coordinates these research efforts, conducts a contract program to advance emergency preparedness, and provides policy guidance and direction to the National Resource Evaluation Center (NREC) established within OEP. In addition, this office provides executive staff support to the Director in discharging his duties as a member of the National Security Council and comparable support for the Emergency Planning Committee and the Program Advisory Committee.

Where is my doctor friend?

Mr. GREEN. You do not mean me. I am not a doctor.

Mr. THOMAS. We will have to make you one.

Mr. JONAS. We promote people here.

Mr. THOMAS. A man cannot have all that responsibility without being a doctor. We will have to make him a doctor.

Mr. JONAS. Why can you not consolidate this Office with the Program Development Office?

Mr. RICE. Sir, we tried to organize, and we believe we have organized, the agency on a logical kind of a cycle. We work with the Joint Chiefs of Staff, with the CIA, with the State Department, in developing the assumptions on which we do our civil preparedness planning, and on these assumptions we decide, for instance, what level we ought to achieve in 5 years. The Program Development Office is the office that sets forth the objectives that the President approves and which guides each agency in determining what it must do.

Mr. JONAS. It looks to me as if the office that develops the program would be the one to evaluate it.

Mr. RICE. All the experts we speak to in the Bureau of the Budget and elsewhere say a second person should evaluate and be nonpersonal and objective in evaluating. That includes evaluating how well we are doing in the States and other agencies.

PROGRAM EVALUATION OFFICE

Mr. JONAS. Let us put the first paragraph on page 53 in the record on the Program Evaluation Office.

(The page follows:)

*Program Evaluation Office*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 13 | 14 | 14 |
| Personnel compensation and benefits | $176,405 | $208,000 | $194,000 |

The Program Evaluation Office is the focal point for the assessment of the overall preparedness program and is charged with the review and evaluation of the work and direction of the Federal and State Governments. It provides the director, OEP with concise data on the status and progress of emergency preparedness and prepares reports to the President and Congress. The review is conducted through systems of reporting, test and exercise, and on-site review designed to evaluate the exact state of preparedness at any level of government at any time.

Mr. JONAS. They like that word "focal." Everything is a focal point.

I think we should put in the "Major objectives for fiscal year 1966," beginning on page 55 and ending on page 56, and the green sheet on page 57.

(The pages follow:)

*Major objectives for fiscal year 1966:*

1. Conduct an annual on-site review of 19 Federal departments and agencies and extend the review to include the Department of Defense.
2. Monitor and improve the emergency preparedness reporting and test and exercise systems with particular attention to Federal field readiness, to State governmental capability, and to industry preparedness.
3. Monitor the development of specific short-range objectives for civil and defense mobilization activities of the Federal departments and agencies. Follow up to insure completion of these objectives.
4. Coordinate the planning and evaluate the conduct of the National readiness exercise. Assist the States in testing and exercising their resource management plans and initiate planning for an international exercise to be held in fiscal year 1967.
5. Prepare reports to the President, the Congress, State Governors, and heads of Federal departments and agencies.
6. Analyze the effectiveness of OEP programs in relation to the cost of achieving national objectives.
7. Follow up on recommendations for program improvements to assure timely implementation.

PROGRAM EVALUATION OFFICE

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Office Director | GS-18 | 1.0 | $20,000 | 1.0 | $24,500 | 1.0 | $24,500 |
| Program officer | GS-16 | 1.0 | 18,000 | 1.0 | 21,555 | 1.0 | 21,555 |
| Do | GS-15 | 4.0 | 70,900 | 4.0 | 74,960 | 3.0 | 57,330 |
| Do | GS-14 | 2.0 | 28,580 | 2.0 | 29,810 | 1.0 | 16,130 |
| Do | GS-12 | 1.0 | 10,640 | 1.0 | 10,960 | 1.0 | 10,960 |
| Program analyst | GS-11 | | | | | 2.0 | 17,300 |
| Do | GS-9 | 1.0 | 7,030 | 1.0 | 7,220 | | |
| Secretary | GS-9 | 1.0 | 7,720 | 1.0 | 7,955 | 1.0 | 7,955 |
| Various | GS-8 and under | 2.0 | 12,550 | 3.0 | 18,815 | 4.0 | 24,720 |
| Permanent positions, year-end | | 13.0 | 175,420 | 14.0 | 195,775 | 14.0 | 180,450 |
| Plus cost of 3 positions abolished during fiscal year 1964 (including terminal leave) | | +3.0 | 10,650 | | | | |
| Less higher pay for part of year | | | −4,104 | | −100 | | |
| Less lapse | | −1.9 | −20,439 | −.3 | −2,675 | −.1 | −450 |
| Plus other personnel compensation | | | 3,523 | | 2,000 | | 2,000 |
| Average employment, total compensation | | 14.1 | 165,050 | 13.7 | 195,000 | 13.9 | 182,000 |
| Personnel benefits | | | 11,355 | | 13,000 | | 12,000 |
| Total, compensation and benefits | | | 176,405 | | 208,000 | | 194,000 |

ADMINISTRATION

Mr. JONAS. You want 42 people for administration. That is a reduction of five. We are glad to see that the office is getting to be more efficient and you can operate with fewer people.

Let us put the first two paragraphs on page 58 in the record. That gives a little history of what is happening.

(The matter follows:)

*Administration*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 47 | 47 | 42 |
| Personnel compensation and benefits | $522,538 | $468,000 | $415,000 |

This office provides all direct support services for the Office of Emergency Planning and some indirect services to associate agencies. These services include budget, financial management, personnel administration, management analysis, security maintenance, mail and file services, property and space management, procurement, printing and duplication, contract administration, library, graphics services, and forms/reports/directives control.

The administration staff has been reduced from 87 positions in fiscal year 1963 to 47 positions in fiscal year 1964; 16 positions were dropped in fiscal

year 1964 with no appreciable decrease in workload. Many administrative services are not measurable, such as budget work, negotiation of contracts, maintenance of security, management improvement projects, etc. However, some of the services are measurable as follows:

| Recurring work: | *Calender year 1964* |
|---|---|
| Requests for administrative services | 14,400 |
| Requests for major items (alterations, moving an office, etc.) | 600 |
| Major supply items to be procured | 1,500 |
| Invoices processed | 1,200 |
| Library documents and requests processed | 32,400 |
| Visual aids prepared | 1,200 |

Mr. RHODES. Will you yield?

Mr. JONAS. Yes.

Mr. RHODES. If you will look at the green sheets on pages 60 and 61, you will see the grades are very high.

Mr. RICE. You are talking about high grades in administration, sir?

Mr. RHODES. Yes.

Mr. JONAS. The Director is a 17 and you have a number of 15's.

Mr. RICE. I would say that over half of administration is grade 8 or under.

Mr. FRY. It is broken down by divisions.

Mr. RHODES. We are not used to an agency that is quite this heavy with high grades. We deal with poor folks mostly.

Mr. RICE. I was about to mention that. In administration I have the poor folks and the rest have the high grades.

Mr. JONAS. Take the Management Assistance Branch. You have three management analysts. Do you not have management analysts in each of your operating offices?

Mr. RICE. No, sir. These three provide management analyses for the entire agency.

Mr. JONAS. Let us put the green sheets, pages 60 and 61, in the record.

(The pages follow:)

ADMINISTRATION

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Director's Office: | | | | | | | |
| Director of Administration | GS-17 | 1 | $19,000 | 1 | $22,945 | 1 | $22,945 |
| Contract specialist | GS-13 | 1 | 11,725 | 1 | 12,075 | | |
| Various | GS-8 and under | 1 | 6,810 | 1 | 7,070 | 1 | 7,070 |
| Subtotal | | 3 | 37,535 | 3 | 42,090 | 2 | 30,015 |
| Management Assistance Branch: | | | | | | | |
| Management analyst | GS-15 | 1 | 17,210 | 1 | 18,170 | 1 | 18,170 |
| Do | GS-11 | 2 | 19,060 | 2 | 19,660 | 1 | 9,535 |
| Secretary | GS-8 and under | 1 | 6,185 | 1 | 6,450 | 1 | 6,450 |
| Subtotal | | 4 | 42,455 | 4 | 44,280 | 3 | 34,155 |
| Security Branch: | | | | | | | |
| Security officer | GS-15 | 1 | 18,240 | 1 | 19,310 | 1 | 19,310 |
| Do | GS-14 | 1 | 14,515 | 1 | 15,150 | 1 | 15,150 |
| Security clerk | GS-9 | 1 | 7,950 | 1 | 8,200 | 1 | 8,200 |
| Subtotal | | 3 | 40,705 | 3 | 42,660 | 3 | 42,660 |
| Personnel Branch: | | | | | | | |
| Personnel officer | GS-14 | 1 | 14,515 | 1 | 15,150 | 1 | 15,150 |
| Classification officer | GS-13 | 1 | 12,495 | 1 | 12,915 | 1 | 12,915 |
| Training officer | GS-12 | 1 | 10,310 | 1 | 10,605 | | |
| Placement officer | GS-11 | 1 | 8,970 | 1 | 9,240 | 1 | 9,240 |
| Various | GS-8 and under | 2 | 9,870 | 2 | 10,730 | 2 | 10,730 |
| Subtotal | | 6 | 56,160 | 6 | 58,640 | 5 | 48,035 |
| Budget Branch: | | | | | | | |
| Budget officer | GS-14 | 1 | 14,515 | 1 | 15,150 | 1 | 15,150 |
| Budget analyst | GS-11 | 1 | 8,410 | 1 | 8,650 | | |
| Budget clerk | GS-7 | 1 | 7,160 | 1 | 7,450 | 1 | 7,450 |
| Subtotal | | 3 | 30,085 | 3 | 31,250 | 2 | 22,600 |
| Audit and Fiscal Branch: | | | | | | | |
| Fiscal officer | GS-13 | 1 | 12,495 | 1 | 12,915 | 1 | 12,915 |
| Do | GS-11 | 1 | 8,970 | 1 | 9,240 | 1 | 9,240 |
| Various | GS-8 and under | 5 | 30,980 | 5 | 31,670 | 5 | 31,670 |
| Subtotal | | 7 | 52,445 | 7 | 53,825 | 7 | 53,825 |
| Administrative Services Branch: | | | | | | | |
| Administrative officer | GS-14 | 1 | 15,865 | 1 | 16,620 | 1 | 16,620 |
| Procurement officer | GS-13 | 1 | 12,495 | 1 | 12,915 | 1 | 12,915 |
| Librarian | GS-12 | 1 | 12,290 | 1 | 12,735 | 1 | 12,735 |
| Illustrator | GS-12 | 1 | 11,300 | 1 | 11,670 | 1 | 11,670 |
| Librarian | GS-11 | 1 | 10,370 | 1 | 10,715 | 1 | 10,715 |
| Facilities supervisor | GS-11 | 1 | 9,250 | 1 | 9,535 | 1 | 9,535 |
| Mail and file supervisor | GS-9 | 1 | 8,410 | 1 | 8,690 | | |
| Printing supervisor | GS-9 | 1 | 7,030 | 1 | 7,220 | 1 | 7,220 |
| Various | GS-8 and under | 13 | 67,715 | 13 | 70,710 | 13 | 70,710 |
| Subtotal | | 21 | 154,725 | 21 | 160,810 | 20 | 152,120 |
| Permanent positions, year end. | | 47 | 414,110 | 47 | 433,555 | 42 | 383,410 |
| Plus cost of 16 positions abolished during fiscal year 1964 (including terminal leave). | | +16 | 154,670 | | | | |
| Less higher pay for part of year | | | −9,879 | | −300 | | |
| Less lapse | | −9 | −75,463 | −.6 | −5,255 | −.3 | −2,410 |
| Plus other personnel compensation. | | | 4,257 | | 10,000 | | 7,000 |
| Average employment, total compensation. | | 54 | 487,695 | 46.4 | 438,000 | 41.7 | 388,000 |
| Personnel benefits | | | 34,843 | | 30,000 | | 27,000 |
| Total, compensation and benefits. | | | 522,538 | | 468,000 | | 415,000 |

MANAGEMENT INTERNS

Mr. JONAS. Put pages 62 and 63 in the record.
(The pages follow:)

*Agencywide*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | | 4 | 5 |
| Personnel compensation and benefits | | $30,000 | $39,000 |

This activity finances OEP's management interns during their 1-year period when they are not assigned to any one office. OEP is striving to recruit young college graduates with academic backgrounds and potential for future leadership. The interns receive formal training and spend approximately 1 month in each office within OEP working on projects which will give them the broadest understanding of nonmilitary defense problems and programs. They are encouraged to evaluate both their assignments and OEP programs. The interns bring fresh concepts and objectivity to the agency, provide the basis for future leadership, and help keep the average grade down by filling higher grade vacancies.

*Detail of personnel compensation*

| Title and grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Number | Salary | Number | Salary | Number | Salary |
| Management intern, GS-9 | | | 4 | $28,880 | 5 | $36,100 |
| Permanent positions, yearend | | | 4 | $28,880 | 5 | $36,100 |
| Less: Higher pay for part of year | | | | −36 | | |
| Less: Lapse | | | −.1 | −844 | | −100 |
| Average employment, total compensation | | | 3.9 | 28,000 | 5 | 36,000 |
| Personnel benefits | | | | 2,000 | | 3,000 |
| Total compensation and benefits | | | | 30,000 | | 39,000 |

LEGAL ADVISER

Mr. JONAS. In the Legal Department you have five lawyers?

Mr. RICE. No, four lawyers and two secretaries.

Mr. JONAS. How can they get along without a secretary apiece?

Mr. RICE. When I came to the agency there was about one for one and it was a hard struggle to change it.

Mr. JONAS. You do not operate a stenographic pool?

Mr. RICE. On a modified basis. Each of these gentlemen who run their own offices have a limited number of girls and they serve several men, not just one.

Mr. JONAS. I guess you keep them pretty busy. Almost everything you do has some legal implication in it?

Mr. RICE. Yes, sir.

Mr. JONAS. Who is your Chief Counsel?

Mr. RICE. Mr. Merker.

Mr. JONAS. Is he here?

Mr. RICE. He is outside.

Mr. JONAS. You have him in reserve?

Mr. THOMAS. It is a shame not to have the judge in here. Bring him in.

Mr. JONAS. Judge, are they keeping you busy?

Mr. MERKER. Yes, sir.

Mr. THOMAS. He is too fine looking a man to keep him outside.

Mr. JONAS. What is your name, sir?

Mr. MERKER. Mordecai Merker.

Mr. JONAS. You are the General Counsel?

Mr. MERKER. The title I have is legal adviser.

Mr. JONAS. You have three lawyers?

Mr. MERKER. Three lawyers and myself.

Mr. JONAS. Four lawyers?

Mr. MERKER. Yes.

Mr. JONAS. And two secretaries?

Mr. MERKER. Yes.

Mr. JONAS. Put in the record page 64 and the green sheet, page 65.

(The pages follow:)

*Legal adviser*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 5 | 6 | 6 |
| Personnel compensation and benefits | $95,029 | $84,000 | $84,000 |

The Legal Adviser provides legal counsel, advice, and assistance to the Director on all nonmilitary defense laws, policies, regulations, problems, and programs. He also provides legal advice, guidance and assistance to all officers and employees in the agency on all matters related to the operation of OEP and its programs and responsibilities. A substantial body of law governs the operations of OEP. Major functions are based upon the Defense Production Act, the Federal Civil Defense Act, the National Security Act, the Trade Expansion Act of 1962, the Federal Disaster Act, and the Strategic and Critical Materials Stockpiling Act. Authorities for other functions are included in the Agricultural Trade Development and Assistance Act, the Buy American Act, the Internal Revenue Code, and the Communications Act of 1934.

The Legal Adviser's Office is initiating a comprehensive restudy and reanalysis of all statutes administered by OEP to insure that the agency's responsibilities are being carried out to the fullest extent and within the spirit and intent of the law.

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Attorney | GS-17 | 1.0 | $18,500 | 1 | $22,195 | 1 | $22,195 |
| Do | GS-15 | 2.0 | 36,755 | 1 | 21,555 | 1 | 21,555 |
| Do | GS-12 | | | 1 | 10,250 | 1 | 10,250 |
| Do | GS-11 | | | 1 | 8,650 | 1 | 8,650 |
| Secretary | GS-9 | 1.0 | 8,870 | 1 | 9,180 | 1 | 9,180 |
| Various | GS-8 and under. | 1.0 | 5,990 | 1 | 6,250 | 1 | 6,450 |
| Permanent positions, year end. | | 5.0 | 70,115 | 6 | 78,080 | 6 | 78,280 |
| Plus cost of 3 positions abolished during fiscal year 1964 (including terminal leave). | | +3.0 | 39,860 | | | | |
| Less higher pay for part of year | | | −2,249 | | −50 | | |
| Less lapse | | −1.5 | −19,365 | | −30 | | −280 |
| Plus other personnel compensation. | | | 423 | | | | |
| Average employment, total compensation. | | 6.5 | 88,784 | 6 | 78,000 | 6 | 78,000 |
| Personnel benefits | | | 6,245 | | 6,000 | | 6,000 |
| Total, compensation and benefits. | | | 95,029 | | 84,000 | | 84,000 |

LIAISON, PUBLIC AFFAIRS, AND INFORMATION

Mr. JONAS. Let us look at "Liaison, public affairs, and information." Who runs that office?

Mr. RICE. Mr. Gallagher.

Mr. JONAS. Mr. Gallagher, do you get a lot of requests to answer questions?

Mr. GALLAGHER. Yes, sir.

Mr. JONAS. Some from Members of Congress?

Mr. GALLAGHER. That is right, especially during disasters.

Mr. JONAS. You have 11 positions?

Mr. GALLAGHER. Yes, sir.

Mr. JONAS. You are requesting $158,000, which is an increase of $1,000 over 1965.

Let us put page 66 in the record. That describes the activities. And let us put the first paragraph on page 68, and the green sheet, page 70.

(The pages follow:)

*Liaison, public affairs, and information*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 12 | 11 | 11 |
| Personnel compensation and benefits | $164,796 | $157,000 | $158,000 |

The national emergency preparedness program requires the understanding, participation, support, and cooperation of citizens from all walks of life. The small staff engaged in liaison, public affairs, and information work further the emergency preparedness effort by maintaining liaison with Congress, State and local governments, international organizations, business, industry, national associations, and the normal liaison with all media of press, TV and radio.

LIAISON AND PUBLIC AFFAIRS

This staff participates actively in the meetings of the Governors' conference, the National Association of Counties, the National League of Cities, the U.S. Conference of Mayors, and maintains contact with national business, labor veterans, and farm organizations. Many of these organizations have appointed committees on emergency planning and designated members of their executive staffs to work with OEP on nonmilitary defense.

In association with the Department of State develops U.S. policies and international cooperative emergency arrangements within the framework of the North Atlantic Treaty and the 1963 United States-Canadian Civil Emergency Planning Agreement.

INFORMATION

The Information Office staff maintains liaison with press and public for all phases of emergency preparedness. It responds to all inquiries, written and telephone; prepares speech drafts for principals of the agency; and lecture materials for appearances before such groups as the Industrial College of the Armed Forces, the Army War College, and the National War College. It promotes all activities of the agency, originating brochures, reports, pamphlets, and other background material. The Information staff provides editorial review of documents originating in the program areas of OEP; such as, special reports to the President and Congress, position papers, and other official communications. It is the source of authoritative information on national emergencies and natural disasters and on the Presidential directives and OEP actions taken. OEP also coordinates the information activities of other Federal agencies during emergencies and disasters. This is a particularly important function in time of crisis. The OEP Director of Information works closely with the President's Press Secretary and is looked to by the news media for guidance on Presidential and OEP response to emergencies and disasters.

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Director of Liaison and Public Affairs | GS-17 | 1.0 | $20,000 | 1.0 | $24,455 | 1.0 | $24,455 |
| Director of Information | GS-17 | | | 1.0 | 21,445 | 1.0 | 21,445 |
| Information officer | GS-15 | 1.0 | 17,210 | 1.0 | 18,170 | 1.0 | 18,170 |
| Liaison officer | GS-15 | 1.0 | 15,665 | 1.0 | 16,460 | 1.0 | 17,030 |
| Do | GS-14 | 2.0 | 29,480 | 2.0 | 30,790 | 2.0 | 30,790 |
| Information specialist | GS-11 | 1.0 | 8,410 | 1.0 | 8,650 | 1.0 | 8,650 |
| Secretary | GS-9 | 1.0 | 8,410 | 1.0 | 8,690 | 1.0 | 8,690 |
| Various | GS-8 and under | 5.0 | 29,675 | 3.0 | 19,390 | 3.0 | 19,790 |
| Permanent positions, yearend | | 12.0 | 128,850 | 11.0 | 148,050 | 11.0 | 149,020 |
| Plus: Cost of 4 positions abolished during fiscal year 1964 (including terminal leave). | | +4.0 | 46,460 | | | | |
| Less: | | | | | | | |
| Higher pay for part of year | | | −3,577 | | −75 | | |
| Lapse | | −1.9 | −20,021 | −.1 | −975 | −.2 | −1,020 |
| Plus: Other personnel compensation | | | 2,378 | | 1,000 | | 1,000 |
| Average employment, total compensation. | | 14.1 | 154,090 | 19.9 | 148,000 | 10.8 | 419,000 |
| Personnel benefits | | | 10,706 | | 10,000 | | 10,000 |
| Total, compensation and benefits. | | | 164,796 | | 158,000 | | 159,000 |

EXECUTIVE DIRECTION

Mr. JONAS. "Executive direction;" that is the immediate Office of the Director and his personal staff. You are requesting 15 people and $225,000, the same as 1965.

Mr. RICE. These are the Presidential appointees and their staffs.

Mr. JONAS. Put page 71 and the green sheet, page 72, in the record.

(The pages follow:)

*Executive direction*

| | Fiscal year 1963 actual | Fiscal year 1964 estimate | Fiscal year 1965 estimate |
|---|---|---|---|
| Positions | 15 | 15 | 15 |
| Personnel compensation and benefits | $228,280 | $225,000 | $225,000 |

The OEP Director advises and assists the President in the determination of national nonmilitary defense policies and objectives. The Director acts on behalf of the President in coordinating the Government's entire emergency preparedness effort. The Director serves as a statutory member of the National Security Council. He participates in meetings of the Cabinet by invitation of the President, and chairs special Cabinet meetings for the President in times of severe emergency. He provides overall direction to the Office of Emergency Planning. The Deputy Director shares responsibilities with the Director and has full authority to act in his absence. The Deputy Director provides direction to daily operations of OEP. He serves as chairman of the Interagency Emergency Planning Committee, which is a central force in coordinating the total Federal emergency preparedness effort.

The Director and Deputy Director are assisted by two Assistant Directors who advise on policy matters and carry out special assignments for the Director. One Assistant Director provides executive supervision to the OEP regional offices and coordinates the comprehensive program for developing a readiness capability at the State level. The other Assistant Director devotes primary attention to problems of industrial survival and rehabilitation.

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Director and Deputy: | | | | | | | |
| Director, OEP | | 1 | $25,000 | 1 | $28,500 | 1 | $28,500 |
| Deputy Director, OEP | | 1 | 21,000 | 1 | 27,000 | 1 | 27,000 |
| Administrative assistant | GS-11 | 2 | 18,240 | 2 | 19,365 | 2 | 19,365 |
| Secretary | GS-9 | 2 | 16,360 | 2 | 16,890 | 2 | 16,890 |
| Various | GS-8 and under | 1 | 5,620 | 1 | 5,620 | 1 | 5,620 |
| Subtotal | | 7 | 86,220 | 7 | 97,375 | 7 | 97,375 |
| Assistant Director: | | | | | | | |
| Assistant Director, OEP | | 1 | 20,000 | 1 | 26,000 | 1 | 26,000 |
| Special assistant | GS-14 | 1 | 13,615 | 1 | 14,170 | 1 | 14,170 |
| Administrative assistant | GS-10 | 1 | 8,200 | 1 | 8,440 | 1 | 8,440 |
| Various | GS-8 and under | 1 | 7,230 | 1 | 7,510 | 1 | 7,510 |
| Subtotal | | 4 | 49,045 | 4 | 56,120 | 4 | 56,120 |
| Assistant Director: | | | | | | | |
| Assistant Director, OEP | | 1 | 20,000 | 1 | 26,000 | 1 | 26,000 |
| Special assistant | GS-14 | 1 | 14,065 | 1 | 14,660 | 1 | 14,660 |
| Administrative assistant | GS-10 | 1 | 8,200 | 1 | 8,440 | 1 | 8,440 |
| Various | GS-8 and under | 1 | 5,795 | 1 | 6,050 | 1 | 6,050 |
| Subtotal | | 4 | 48,060 | 4 | 55,150 | 4 | 55,150 |
| Permanent positions, yearend | | 15 | 183,325 | 15 | 208,645 | 15 | 208,645 |
| Plus cost of 1 position abolished during fiscal year 1964 (including terminal leave). | | +1 | 19,645 | | | | |
| Less higher pay for part of year | | | −1,762 | | −125 | | |
| Less lapse | | −.1 | −289 | −.3 | −2,520 | −.3 | −2,645 |
| Plus other personnel compensation | | | 12,718 | | 3,000 | | 3,000 |
| Average employment, total compensation. | | 15.9 | 213,637 | 14.7 | 209,000 | 14.7 | 209,000 |
| Personnel benefits | | | 14,643 | | 16,000 | | 16,000 |
| Total compensation and benefits | | | 228,280 | | 225,000 | | 225,000 |

REGIONAL OFFICES

Mr. JONAS. How many regional offices do you have, seven?

Mr. RICE. Eight.

Mr. JONAS. And you want 53 people. That is an increase of eight.

Mr. RICE. But it is a within-agency adjustment. We feel we should shift the emphasis from the planning to the actual implementation, so we are shifting eight positions from the the national office to the regions.

Mr. JONAS. Put page 73 in the record and the first paragraph on page 74 ought to go in. Let us put in the bottom of page 76 and the top of page 77 listing the major objectives for fiscal year 1966; and the green sheet, page 78.

(The pages follow:)

*Regional offices*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Positions | 45 | 45 | 53 |
| Personnel compensation and benefits | $699,257 | $644,000 | $754,000 |

The eight OEP regional offices coordinate the overall nonmilitary defense effort at the regional level. Regional emergency preparedness committees, chaired by OEP regional directors and consisting of representatives from the Federal departments and agencies having field emergency responsibilities, are the principal mechanism for coordinating and implementing the regional preparedness program within the Federal field establishment. The OEP regional staffs review the nonmilitary defense efforts of the Federal field offices to insure compatibility with national goals and Federal policies and progress toward established objectives.

The regional offices, within the framework of guidance from the national office, assist and encourage State and local governments to take the following four basic steps to improve chances for survival and continuity of government:

1. Establishment of automatic emergency lines of succession in depth for top government executives, legislators, the judiciary, and other key personnel.
2. Provision of protected and accessible storage for essential documents and records.
3. Establishment of suitably located and protected emergency operating centers.
4. Development of detailed operational procedures for the most efficient use of government personnel, facilities, and equipment during and following emergencies.

The regions also have primary responsibility for insuring that States develop plans and build a capability to manage resources in an emergency. States must be prepared to control essential resources since the Federal Government might not be immediately capable of exercising its traditional wartime emergency direction and control of the Nation's resources. Preparations for the emergency management of resources and the continuity of government make up OEP's comprehensive program. This is an active program designed to implement the key concept of building into peacetime government and industry the capability to respond to an emergency and to channel government and industry resources toward whatever the national goals are declared to be at the time of the emergency. The regional staffs must play a larger role in "selling" this program, creating a real operational capability, testing it, and updating it.

*Major objectives for fiscal year 1966*

1. Assist States to complete the development of their plans for emergency management of resources.
2. Following general guidance of the national office, prepare and conduct tests designed to evaluate these newly developed State plans.
3. Begin the groundwork for a regional test and exercise program which will tie all the State plans together into a meaningful unit.
4. Make recommendations to the national office on changes to national policies and criteria when the testing of State plans so warrant.
5. The continuity of government and natural disaster relief programs will be continued as necessary. Increased emphasis will be placed on preparing State and local governments to cope with natural disasters.

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Regional director | GS-15 | 8.0 | $133,560 | 8 | $141,940 | 8.0 | $143,020 |
| Regional representative | GS-15 | 8.0 | 138,195 | 9 | 164,100 | 12.0 | 216,300 |
| Do. | GS-14 | 11.0 | 156,065 | 10 | 148,070 | 12.0 | 177,670 |
| Do. | GS-13 | 2.0 | 25,375 | 1 | 12,495 | 1.0 | 12,495 |
| Do. | GS-11 | 3.0 | 25,790 | 4 | 35,190 | 6.0 | 54,555 |
| Secretary | GS-9 | 3.0 | 22,930 | 3 | 23,620 | 3.0 | 24,110 |
| Various | GS-8 and under. | 10.0 | 64,880 | 10 | 67,945 | 11.0 | 73,445 |
| Permanent positions, year-end. | | 45.0 | 566,795 | 45 | 593,360 | 53.0 | 701,595 |
| Plus cost of 24 positions abolished during fiscal year 1964 (including terminal leave). | | +24.0 | 195,631 | | | | |
| Less: | | | | | | | |
| Higher pay for part of year | | | −10,636 | | −300 | | |
| Lapse | | −12.3 | −102,313 | | −60 | −.7 | −5,595 |
| Plus other personnel compensation. | | | 4,091 | | 8,000 | | 8,000 |
| Average employment, total compensation. | | 56.7 | 653,568 | 45 | 601,000 | 52.3 | 704,000 |
| Personnel benefits | | | 45,689 | | 43,000 | | 50,000 |
| Total, compensation and benefits. | | | 699,257 | | 644,000 | | 754,000 |

## Other Objects

Mr. Jonas. Let us take a look at other objects on page 79. There is no summary sheet here so we will reinsert page 10 in the record at this point.

(The page follows:)

*Obligations by object class*

| Object class | 1964 actual | 1965 estimate | 1966 estimate | Change 1965-66 |
|---|---|---|---|---|
| 11 Personnel compensation | $3,439,953 | $3,212,000 | $3,201,000 | −$11,000 |
| 12 Personnel benefits | 242,022 | 228,000 | 227,000 | −1,000 |
| 21 Travel | 90,884 | 131,000 | 143,000 | +12,000 |
| 22 Transportation of things | 3,962 | 4,000 | 4,000 | |
| 23 Rent, communications, and utilities | 71,996 | 89,000 | 164,000 | +75,000 |
| 24 Printing and reproduction | 28,974 | 74,000 | 36,000 | −38,000 |
| 25 Other services | 139,469 | 196,000 | 186,000 | −10,000 |
| Research and development | 183,500 | 150,000 | 1,000,000 | +850,000 |
| 26 Supplies and materials | 22,804 | 24,000 | 24,000 | |
| 31 Equipment | 6,366 | 4,000 | 4,000 | |
| 42 Insurance claims | 38 | | | |
| Total obligations | 4,229,968 | 4,112,000 | 4,989,000 | +877,000 |

### TRAVEL

Mr. Jonas. Object 21 shows your travel and transportation going up to $143,000 from $131,000. What is this "Invitational travel" $34,500?

Mr. FRY. For consultants.

Mr. JONAS. You mean people you invite to come in?

Mr. FRY. Who are not regular agency employees.

Mr. RICE. Non-Government, sir.

Mr. JONAS. Why do the regional people have to do so much traveling?

Mr. RICE. We feel the regional program has been hurting because they have not been able to get frequently enough to the State and local folks to work with them, and we feel they are really doing their job if they are out of the office.

Mr. COSGROVE. The purpose is to be sure we have quality control by having them visit at the State capitals and major cities as necessary.

DESK COMPUTER

Mr. JONAS. You want to rent a small computer; is that right?

Mr. RICE. Sir, we are forced by standard terminology to call it a computer. It is a desk calulator.

Mr. JONAS. You have an option to buy it?

Mr. RICE. The contract provides that.

Mr. JONAS. And you apply the rent on the purchase price if you buy it?

Mr. RICE. Yes, sir.

Mr. FRY. $19,000 plus $5,000 is the purchase price.

Mr. RICE. This little desk model we are buying for $19,000——

Mr. JONAS. Your justifications say:

The increase of $19,000 in machine rental for fiscal year 1966 is to provide for the purchase of a small scale computer system to assist the Economic Affairs Office in supply requirements studies.

It says "machine rental."

Mr. FRY. It happens to come in that category.

Mr. RICE. It is the wrong title.

Mr. JONAS. You want us to construe the word "rental" as "purchase"?

Mr. RICE. It should be "purchase."

PRINTING AND REPRODUCTION

Mr. JONAS. For printing and reproduction you want $36,000. For administrative printing you want $12,000 and for informational printing you want $24,000. That is a total of $36,000. Is that not a lot for printing?

Mr. RICE. It is almost cutting in half the present year's printing cost.

Mr. JONAS. The decrease comes only in informational printing. 1966 is lower than 1965, but 1965 is considerably higher than 1964. So you went up the hill and then came down.

Mr. RICE. The reason 1965 was a high year, we redid the national plan that goes to all levels of government and key industries.

Mr. JONAS. How many copies did you print?

Mr. RICE. 89,500 copies.

Mr. JONAS. That is secret?

Mr. RICE. No, sir. That is available if anybody wants to buy it from the Government Printing Office.

Mr. GIAIMO. Could we have a copy?

Mr. JONAS. Send each one of us a copy. As a matter of fact, I think you sent this out to Members of Congress. I have one in the office.

Mr. RICE. I believe all members of this committee were sent one.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. JONAS. I see you have a Civil Service check run on all Executive reservists and they charge you $390 a person?

Mr. RICE. Yes, sir. That is their standard fee to all agencies.

Mr. JONAS. Let us put all this material in the record. It is pretty lengthy, pages 79 through 84.

(The pages follow:)

*Detailed summary by object class*

| | | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|---|
| 11 | Personnel compensation | $3,439,953 | $3,212,000 | $3,201,000 |
| | Permanent positions | 3,345,802 | 3,150,000 | 3,139,000 |
| | Consultants | 31,226 | 36,000 | 36,000 |
| | Temporary employees | 23,005 | | |
| | Overtime | 15,066 | 15,000 | 15,000 |
| | Pay above 52-week basis | 24,854 | 11,000 | 11,000 |
| 12 | Personnel benefits | 242,022 | 228,000 | 227,000 |
| | Total, compensation and benefits | 3,681,975 | 3,440,000 | 3,428,000 |

The decrease of $12,000 from the 1965 base is due to the following:

| | |
|---|---|
| (1) Full-year cost of 1965 pay raise | $2,136 |
| (2) Net cost of within-grade promotions | 19,813 |
| (3) Lower average employment | −33,949 |
| Total decrease | −12,000 |

| | | Fiscal year 1964 estimate | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|---|
| 21 | Travel and transportation of persons | $90,884 | $131,000 | $143,000 |
| | Headquarters travel | 28,284 | 42,000 | 42,000 |
| | Regional travel | 37,909 | 50,000 | 62,000 |
| | Invitational travel | 20,281 | 34,500 | 34,500 |
| | Vehicle rental and taxis | 4,410 | 4,500 | 4,500 |

The major portion of OEP staff travel is concerned with assisting State and local governments to develop an emergency capability. Funds are also required to defray the travel expenses of outside consultants; including the Health Resources Advisory Committee, the Program Advisory Committee, the Civil Defense Advisory Council, and the Association of State Civil Defense and Emergency Planning Directors.

The increase of $12,000 over the 1965 base will be used to accelerate the comprehensive program by the regional offices. As each State begins to develop a capability for emergency resource management throughout fiscal years 1965 and 1966, an intensive test and exercise program will be instituted to assure that such

a capability is not wasted. This will require an expanded effort on the part of the regional staff and an increase in travel.

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| 22 Transportation of things | $3,962 | $4,000 | $4,000 |
| This item finances the movement of household effects for employees transferring duty stations. | | | |
| 23 Rents, communications, and utilities | 71,996 | 89,000 | 164,000 |
| Postage | 13,475 | 14,000 | 14,000 |
| Telephone service | 48,882 | 46,000 | 46,000 |
| Machine rental | 8,859 | 16,000 | 35,000 |
| Other rent | 780 | 13,000 | 69,000 |

The estimate for postage finances the cost of penalty mail, meter postage, and rental of post office boxes. The estimate for telephone and communication services provides for recurring telephone switchboard charges, toll calls, and TWX and telegram charges including the special requirements of text exercises. The increase of $19,000 in machine rental for fiscal year 1966 is to provide for the purchase of a small-scale computer system to assist the Economic Affairs Office in supply requirements studies. The 1965 estimate includes $5,000 to rent such a system on a trial basis. The increase of $56,000 in other rent will provide for the full year's rent at two newly modified relocation sites.

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| 24 Printing and reproduction | $28,974 | $74,000 | $36,000 |
| Administrative printing | 11,972 | 12,000 | 12,000 |
| Informational printing | 17,002 | 62,000 | 24,000 |

This estimate covers requirements for the printing of forms, form letters, letterheads, manuals, administrative orders, special studies, and periodic reports; such as, the annual report to the Joint Committee on Defense Production and the semiannual stockpile report to Congress, as well as general informational bulletins and material supplied to news media and the general public. The decrease in informational printing is due to the completion of the national plan in fiscal year 1965.

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| 25.1 Other services: Research contracts | $183,500 | $192,562 | $1,000,000 |
| 25.2 Services of other agencies | 139,469 | 196,000 | 186,000 |
| Maintenance of furniture and equipment | 12,226 | 10,000 | 10,000 |
| Maintenance of facilities | 3,574 | 4,000 | 4,000 |
| Security investigations | 9,890 | 40,000 | 40,000 |
| Administrative support of regions | 62,900 | 63,000 | 63,000 |
| Other services | 50,879 | 79,000 | 69,000 |

NOTE.—See R. & D. contracts tab for justification.

*Maintenance and repair of office furniture and equipment.*—Finances the repair and servicing of typewriters, calculators, and office duplicating equipment and the refinishing, cleaning, and repair of office furniture.

*Maintenance of facilities.*—Provides for special GSA services such as moving, partitioning, and installation of electrical outlets.

*Security investigations.*—Provides reimbursement to the Civil Service Commission for security clearance investigations. Because of the sensitive nature of

OEP, all employees are given a complete security check. The amount requested for fiscal year 1966 will finance the following investigations:

| | Number | Rate | Cost |
|---|---|---|---|
| Normal turnover | 23 | $390 | $8,970 |
| Executive reservists | 80 | 390 | 31,200 |
| Total | 103 | 390 | 40,170 |

Security clearances are requested for 80 executive reservists to partially meet OEP's emergency operating requirements in the areas of resource management, economic stabilization and censorship. These reservists would be called into Government service in the event of an emergency to augment the current OEP staff. Such a system has the advantage of achieving a high degree of operational readiness at minimum cost.

*Reimbursement to OCD for administrative support.*—These funds reimburse OCD for administrative support to the OEP regional offices which are located with the OCD regional offices. OCD provides common administrative support services such as telephones, supplies, equipment maintenance, etc., on a reimbursable basis.

*Other contractual services.*—This estimate covers remibursement to the Public Health Service for the services of a public health officer; reimbursement to the GSA for payroll services; OEP's share of the cost of an employee's health unit; training costs; and other miscellaneous contracts.

The decrease in the estimate for other services is due to phasing out a contract with DHEW to monitor compliance with the provisions contained in the contracts with the States under the State and local preparedness program.

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| 26 Supplies and materials | $22,804 | $24,000 | $24,000 |
| Supplies | 13,327 | 14,000 | 14,000 |
| Subscriptions | 9,477 | 10,000 | 10,000 |

This estimate finances expendable supply customary in office use including supplies for office duplicating and photocopying machines, and art and graphic supplies, as well as subscriptions to professional and technical publications, newspapers, periodicals, and other reference material and news ticker service.

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Equipment | $6,366 | $4,000 | $4,000 |
| Office furniture | 4,980 | 2,000 | 2,000 |
| Office equipment | 1,386 | 2,000 | 2,000 |

The funds requested will be used to replace overage furniture and equipment when continued repair and maintenance becomes uneconomical.

## Research and Development Contracts

Mr. Jonas. For research contracts you want $1 million. We discussed that before. Are they all with the National Academy?

Mr. Green. No, sir. The Academy will make recommendations to OEP and will monitor the work, but the contracts are not with the National Academy.

Mr. RICE. We just got through negotiating out of this year's funds a contract with the National Academy and the contract pinned down exactly the expected results and on a definite timetable.

Mr. JONAS. Mr. Chairman, we have already discussed this but it might be well to include in the record page 85, the last paragraph on 88 and the first paragraph on page 89.

(The material follows:)

*Research and development contracts*

| | Fiscal year 1964 actual | Fiscal year 1965 estimate | Fiscal year 1966 estimate |
|---|---|---|---|
| Obligations | $183,500 | $150,000 | $1,000,000 |

This request is divided into two general categories. Six hundred thousand is directed to projects designed to improve our present analytical capabilities, and $400,000 to research growing out of a major investigation undertaken upon our behalf by the National Academy of Sciences. Explanation of each item follows:

I. IMPROVEMENT OF ANALYTICAL CAPABILITY

A. National resource evaluation center support ..... $350,000

The computational facility known as the National Resource Evaluation Center is managed by OEP. Its purposes embrace (1) the analysis of damage to the Nation's economy under a range of attacks and (2) the analysis of a damaged economy's ability to support proposed postattack production programs. Modern computers, operated by trained personnel are located at the Center. However, effective performance of NREC's demanding assignment calls for two additional assets. First is the improvement and updating of the data stored. Second is improvement in the "models" or "systems" which are programed in the computers to produce simulations of the effects of attacks upon the Nation's resources. Contracts with qualified research organizations covering work in these two areas are contemplated.

II. NATIONAL ACADEMY OF SCIENCES

In fiscal year 1965 OEP enlisted the help of the National Academy of Sciences. Specifically, the Academy has been asked to (*a*) advise OEP as to whether the hypotheses, assumptions, and conclusions upon which emergency preparedness is now based are scientifically and technically sound, (*b*) furnish advice and recommendations to OEP in the area of research which can provide the most current and sound basis for emergency planning and which will provide the maximum return for the minimum research funds and efforts, (*c*) review emergency preparedness research projects conducted for OEP and other Federal agencies and advise on the adequacy of progress and validity of results, and (*d*) advise OEP of research being conducted throughout the scientific community in order to preclude duplication and assure maximum utilization of that having an application to emergency preparedness.

In fiscal year 1966 OEP proposes to continue the contract relationship with the Academy and to ask them to bring together many of the country's best scientific and technical brains to examine the modern problems of recovery: $100,000 is asked for these purposes. Separately, the Academy will define three significant research projects which are critical to effective emergency preparedness and which are not being conducted anywhere: $300,000 is requested to pursue their advice and implement their recommendations, allotting $100,000 to each of the three projects.

Mr. JONAS. "State and local preparedness;" there is not anything there except the language.

## DISASTER RELIEF

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 338 | 350 | 350 |
| 11.3 | Positions other than permanent | 49 | 50 | 50 |
| 11.5 | Other personnel compensation | 6 | 5 | 5 |
| | Total personnel compensation | 393 | 405 | 405 |
| 12.0 | Personnel benefits | 27 | 28 | 28 |
| 21.0 | Travel and transportation of persons | 68 | 85 | 85 |
| 23.0 | Rent, communications, and utilities | 12 | 12 | 12 |
| 24.0 | Printing and reproduction | 16 | 15 | 15 |
| 25.2 | Services of other agencies | 30,913 | 48,252 | 12,838 |
| 41.0 | Grants, subsidies, and contributions | 15,725 | 24,846 | 6,602 |
| 99.0 | Total obligations | 47,154 | 73,643 | 19,985 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 37 | 34 | 34 |
| Full-time equivalent of other positions | 5 | 5 | 5 |
| Average number of all employees | 39 | 38 | 38 |
| Average GS grade | 10.0 | 10.0 | 10.0 |
| Average GS salary | $9,705 | $10,644 | $10,684 |

### *Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Administration | 537 | 568 | 568 |
| | 2. Aid to disaster areas | 20,922 | 73,075 | 39,417 |
| | Total program costs, funded | 21,459 | 73,643 | 39,985 |
| | Change in selected resources [1] | 25,695 | | −20,000 |
| 10 | Total obligations | 47,154 | 73,643 | 19,985 |
| | Financing: | | | |
| 11 | Receipts and reimbursements from: Administrative budget accounts | −1 | | |
| 17 | Recovery of prior year obligations | −3,238 | −5,541 | −4,854 |
| 21 | Unobligated balance available, start of year | −25,219 | −51,305 | −3,203 |
| 24 | Unobligated balance available, end of year | 51,305 | 3,203 | 8,072 |
| 40 | New obligational authority (appropriation) | 70,000 | 20,000 | 20,000 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 47,154 | 73,643 | 19,985 |
| 70 | Receipts and other offsets (items 11-17) | −3,239 | −5,541 | −4,854 |
| 71 | Obligations affecting expenditures | 43,915 | 68,102 | 15,131 |
| 72 | Obligated balance, start of year | 19,196 | 41,919 | 54,021 |
| 74 | Obligated balance, end of year | −41,919 | −54,021 | −12,152 |
| 90 | Expenditures | 21,191 | 56,000 | 57,000 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $7,544,000 (1964 adjustments, −$3,238,000; 1964, $30,001,000; 1965, $30,001,000; 1966, $10,001,000.

Mr. JONAS. For "Disaster relief" you are asking for $20 million, and that is just a guess of what will be required. If you have earthquakes and floods, it may be higher than that?

Mr. THOMAS. Or it may not be that high.

Mr. RHODES. How much did we give for disaster relief last year?

Mr. RICE. $25 million, sir.

Mr. JONAS. One year it was $70 million; was it not?

Mr. FRY. That was because of the Alaska earthquake.

Mr. RICE. Last year was most unusual and the preceding 2 years were unusual too.

Mr. JONAS. What do you have in the way of unexpended balance?

Mr. FRY. We have $18 million in the fund. We are in for a supplemental of $25 million. We expect to obligate almost all of this, this fiscal year.

Mr. JONAS. You mean for disasters which have already occurred?

Mr. FRY. For disasters which have already occurred.

Mr. JONAS. Let us put page 95 in the record and the first part of page 96. They list the statutes and give some general information; and let us put in page 99, which shows the activity in fiscal year 1965; and page 100 showing allocations made in fiscal year 1964; and page 101, allocations made in fiscal year 1965 to January 20; and the green sheet, page 102.

(The pages follow:)

*Disaster relief*

1966 estimate ..... $20,000,000

GENERAL STATEMENT

The Federal Disaster Act, Public Law 81-875, as amended, authorizes supplemental assistance to State and local governments in major disasters. Public Law 875 gives the President broad powers to supplement the efforts and available resources of States and local governments in carrying out their responsibility to alleviate suffering and damage resulting from major disasters.

The Office of Emergency Planning has been designated by the President as the agency responsible for administering the Federal disaster assistance program.

Public Law 875 assistance is essentially aid to government at State and local levels, in order to protect life and property and to repair essential public facilities. The aid to a State or its political subdivisions may include emergency protective measures, health and sanitation measures, the repair or replacement of water and sewar lines, road and bridge repairs, debris removal, and such other activities which serve to bring relief to a ravaged area.

Federal financial assistance is provided from the "Disaster relief" appropriation under which allocations of funds are made by the President to the Office of Emergency Planning for use in a specific disaster. Disaster relief funds may be reallocated by the Director, OEP, (1) upon a showing of need, to the State and local governments for alleviating the damage caused by the disaster, and (2) for reimbursement of any Federal agency for authorized expenditures incurred in providing disaster relief at the direction of OEP.

To insure that the Federal Government does not carry the entire burden of disaster relief, the Federal Disaster Assistance Regulations provide for a schedule of minimum State and local expenditures. Federal assistance under Public Law 875 will be available only after the Governor certifies that the

total expenditures and obligations for disaster relief, in that disaster and all other disasters during the 12-month period preceding the request for assistance, exceed an amount published by the Director as the minimum for that State.

In line with OEP responsibilities to administer the President's disaster relief fund and coordinate the activities of Federal agencies in providing supplemental assistance in declared major disasters, we intend to continuously improve the administration of the Federal disaster program and provide more efficient and expeditious disaster relief.

ACTIVITY IN FISCAL YEAR 1965

Through January 20, 1965, the President has declared 15 major disasters in 12 States and one territory. Funds allocated thus far in fiscal year 1965 total $35,436,100.

In September and October 1964, the U.S. mainland was visited by three destructive hurricanes: Cleo, Dora, and Hilda. Major disasters were declared for Florida, Georgia, and Louisiana with allocations totaling $15 million for disaster relief in these States.

Five States of the Pacific Northwest were declared disaster areas due to the serious and widespread damages caused by severe storms, heavy rains, and flooding in late December. Initial allocations totaling $10,700,000 have been made already and there are indications that as much as an additional $10 to $15 million may be required for eligible relief projects in these States.

Reconstruction work in Alaska is continuing and estimated additional allocations of approximately $43 million will be required during fiscal year 1965. Reconstruction work qualifying for Public Law 875 funds should be completed by the middle of fiscal year 1967.

*Allocations made, fiscal year 1964*

| State | Type of disaster | Date declared | Allocated |
|---|---|---|---|
| Mississippi | Chlorine barge | Oct. 10, 1962 | $1,792,000 |
| Guam | Typhoon Karen | Nov. 12, 1962 | 14,900,000 |
| California | Storm and floods | Feb. 25, 1963 | 845,000 |
| Washington | Floods | Mar. 2, 1963 | 85,000 |
| Kentucky | Storm and floods | Mar. 13, 1963 | 1,250,000 |
| Guam | Typhoon Olive | Apr. 30, 1963 | 100,000 |
| Trust territory | do | do | 1,055,000 |
| Wyoming | Flooding | July 4, 1963 | 300,000 |
| Nebraska | do | July 17, 1963 | 395,000 |
| Arkansas | do | Aug. 2, 1963 | 150,000 |
| New York | do | Aug. 23, 1963 | 750,000 |
| Texas | Hurricane | Sept. 24, 1963 | 500,000 |
| Vermont | Drought | Nov. 27, 1963 | 128,000 |
| California | Reservoir | Dec. 21, 1963 | 500,000 |
| Vermont | Flooding | Mar. 17, 1964 | 105,000 |
| Kentucky | Storm and floods | do | 250,000 |
| Indiana | do | do | 740,000 |
| West Virginia | do | Mar. 20, 1964 | 100,000 |
| Ohio | do | Mar. 24, 1964 | 250,000 |
| Arkansas | do | do | 250,000 |
| Alaska | Earthquake and tidal wave. | Mar. 28, 1964 | 17,000,000 |
| California | Tidal wave | Apr. 1, 1964 | 1,250,000 |
| Montana | Flooding | June 9, 1964 | 2,000,000 |
| Total allocations for disaster assistance, fiscal year 1964. | | | 44,695,000 |

*Allocations made, fiscal year 1965 (to January 20)*

| State | Type of disaster | Date declared | Allocated |
|---|---|---|---|
| California | Reservoir | Dec. 21, 1963 | $1,087,900 |
| Kentucky | Storm and floods | Mar. 17, 1964 | 600,000 |
| Ohio | do | Mar. 24, 1964 | 650,000 |
| Puerto Rico | Drought | May 26, 1964 | 564,950 |
| Virgin Islands | do | June 8, 1964 | 78,250 |
| Montana | Flooding | June 9, 1964 | 4,500,000 |
| Missouri | Storm and floods | July 8, 1964 | 650,000 |
| Nebraska | do | July 20, 1964 | 780,000 |
| Florida | Hurricane Cleo | Sept. 8, 1964 | 2,300,000 |
| Do | Hurricane Dora | Sept. 10, 1964 | 8,200,000 |
| Georgia | do | do | 2,000,000 |
| Louisiana | Hurricane Hilda | Oct. 3, 1964 | 2,500,000 |
| North Carolina | Hurricane Dora and Hurricane Hilda. | Oct. 13, 1964 | 325,000 |
| Georgia | Hurricane Hilda | Nov. 4, 1964 | 150,000 |
| Trust territory | Typhoon Louise | Dec. 10, 1964 | 250,000 |
| Montana | Snowstorm | Dec. 18, 1964 | 100,000 |
| California | Storm and floods | Dec. 24, 1964 | 5,000,000 |
| Oregon | do | do | 3,500,000 |
| Washington | do | Dec. 29, 1964 | 1,500,000 |
| Idaho | do | Dec. 31, 1964 | 500,000 |
| Nevada | do | Jan. 18, 1965 | 200,000 |
| Total allocations for disaster assistance | | | 35,436,100 |

*Detail of personnel compensation*

| | Grade | Fiscal year 1965 | | Fiscal year 1966 | |
|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary |
| Natural Disaster Division: | | | | | |
| Division Chief | GS-15 | 1 | $18,170 | 1 | $18,170 |
| Engineer | GS-14 | 2 | 29,320 | 2 | 29,320 |
| Program Office | GS-14 | 2 | 31,770 | 2 | 31,770 |
| Various | GS-8 and under | 4 | 22,035 | 4 | 22,035 |
| Subtotal | | 9 | 101,295 | 9 | 101,295 |
| Audit Section: | | | | | |
| Chief Auditor | GS-15 | 1 | 17,030 | 1 | 17,030 |
| Auditor | GS-13 | 1 | 13,755 | 1 | 13,755 |
| Do | GS-12 | 3 | 33,235 | 3 | 33,235 |
| Do | GS-11 | 1 | 11,010 | 1 | 11,010 |
| Various | GS-8 and under | 4 | 23,165 | 4 | 23,165 |
| Subtotal | | 10 | 98,195 | 10 | 98,195 |
| Regions: | | | | | |
| Disaster Relief Coordinator | GS-15 | 1 | 17,030 | 1 | 17,030 |
| Do | GS-14 | 5 | 77,710 | 5 | 77,710 |
| Do | GS-13 | 1 | 14,595 | 1 | 14,595 |
| Do | GS-12 | 1 | 10,250 | 1 | 10,250 |
| Various | GS-8 and under | 6 | 35,185 | 6 | 35,185 |
| Subtotal | | 14 | 154,770 | 14 | 154,770 |
| Liaison, Public Affairs and Information: | | | | | |
| Information Specialist | GS-13 | 1 | 12,075 | 1 | 12,075 |
| Permanent positions, yearend | | 34 | 366,335 | 34 | 366,335 |
| Pay above stated annual rate | | | 1,500 | | 1,500 |
| Less lapse | | 1.5 | −17,635 | 1.5 | −17,835 |
| Less savings due to lower pay scales for part of year | | | −200 | | |
| Plus other personnel compensation | | | 55,000 | | 55,000 |
| Average employment, total compensation | | 32.5 | 405,000 | 32.5 | 405,000 |
| Personnel benefits | | | 28,000 | | 28,000 |
| Total, compensation and benefits | | | 433,000 | | 433,000 |

Mr. JONAS. That is all in this book.

Mr. THOMAS. Thank you, Governor and your staff. You are always welcome.

Mr. ELLINGTON. Thank you very much.

## SALARIES AND EXPENSES, TELECOMMUNICATIONS

### WITNESSES

**JAMES D. O'CONNELL, DIRECTOR OF TELECOMMUNICATIONS MANAGEMENT/SPECIAL ASSISTANT TO THE PRESIDENT FOR TELECOMMUNICATIONS**

**RALPH L. CLARK, SPECIAL ASSISTANT TO THE DIRECTOR OF TELECOMMUNICATIONS MANAGEMENT**

**WILLIAM E. PLUMMER, CHIEF, FREQUENCY MANAGEMENT DIVISION**

**FRED W. MORRIS, JR., STAFF CONSULTANT**

**CHARLES E. LATHEY, STAFF CONSULTANT**

**WILLIAM B. RICE, DIRECTOR OF ADMINISTRATION, OFFICE OF EMERGENCY PLANNING**

**ALBERT E. FRY, ACTING CHIEF, BUDGET BRANCH, OFFICE OF EMERGENCY PLANNING**

*Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 381 | 399 | 654 |
| 11.3 | Positions other than permanent | 2 | | 90 |
| | Total personnel compensation | 383 | 399 | 744 |
| 12.0 | Personnel benefits | 27 | 28 | 49 |
| 21.0 | Travel and transportation of persons | 3 | 5 | 10 |
| 22.0 | Transportation of things | 1 | 1 | 2 |
| 23.0 | Rent, communications, and utilities | 34 | 34 | 250 |
| 24.0 | Printing and reproduction | 1 | 1 | 4 |
| 25.1 | Other services | | 250 | 360 |
| 25.2 | Services of other agencies | 6 | 6 | 54 |
| 26.0 | Supplies and materials | 5 | 5 | 10 |
| 31.0 | Equipment | 5 | | 18 |
| 99.0 | Total obligations | 465 | 729 | 1,531 |

*Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 53 | 40 | 70 |
| Full-time equivalent of other positions | 0 | 0 | 4 |
| Average number of all employees | 45 | 40 | 65 |
| Average GS grade | 8.7 | 8.5 | 10.1 |
| Average GS salary | $8,981 | $9,585 | $10,265 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Telecommunications management | 465 | 479 | 1,171 |
| | 2. Research and development | | 250 | 360 |
| 10 | Total program costs, funded—obligations | 465 | 729 | 1,531 |
| | Financing: | | | |
| 16 | Comparative transfers from other accounts | −465 | −729 | |
| 40 | New obligational authority (appropriation) | | | 1,531 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 465 | 729 | 1,531 |
| 70 | Receipts and other offsets (items 11–17) | −465 | −729 | |
| 71 | Obligations affecting expenditures | | | 1,531 |
| 74 | Obligated balance, end of year | | | −181 |
| 90 | Expenditures | | | 1,350 |

Mr. GIAIMO. We will now take up "Salaries and Expenses, Telecommunications."

It is nice to have you here this morning, General. Do you have a general statement?

GENERAL STATEMENT

General O'CONNELL. Yes.

I would like to introduce the gentlemen I have with me. Mr. Ralph Clark, sitting next to me, is my special assistant. Mr. William Plummer, sitting in back of me here, is Chief of the Frequency Management Division. Mr. Fred Morris, Jr., is a staff consultant; and Mr. Charles Lathey is a staff consultant. Both of these latter gentlemen, I might add, are on loan at this time from other agencies.

Mr. THOMAS. We have a lot of high-powered personnel here.

General O'CONNELL. And Mr. Rice is at the end of the table.

Mr. GIAIMO. You may proceed in whatever manner you like.

General O'CONNELL. I am pleased to be here to discuss with you the activities and programs of the Director of Telecommunications Management and of the Special Assistant to the President for Telecommunications. Governor Ellington indicated this morning that this would be presented separately.

This is the first time I have had an opportunity to appear before this committee. However, I can hardly conceive of more unfavorable or embarrassing circumstances under which to make my first appearance.

As an administrator, I dislike coming before you with admissions that my Office is not effective in carrying out most of the missions which have been assigned to me by the President in Executive orders and memoranda—many of which result from congressional action.

I have, however, already indicated in my budget submission the facts as I see them. I hope today to further illuminate these areas and to respond to such questions as you may have.

I have prepared some charts and a summary of the budget document, which you have, with the object of providing some additional perspective as to those areas in which we have achieved some reasonable competence and those areas in which our efforts to date have been largely ineffective.

I accepted the responsibilities of this office just about 10 months ago. At that time the office had been vacant for over a year.

Mr. THOMAS. Whom did you succeed?

General O'CONNELL. Dr. Stewart, of West Virginia.

Mr. THOMAS. Did he go back to the university?

Mr. CLARK. Yes. He is professor of government at the university.

Mr. THOMAS. He did not go back as an engineer?

General O'CONNELL. During the year the office was vacant and the year preceding it, additional responsibilities were added to the office by Presidential Executive Order 10995, passage of the Communications Satellite Act of 1962, and a Presidential memorandum of August 21, 1963.

Mr. JONAS. Would you mind being interrupted at that point?

General O'CONNELL. Not at all.

Mr. JONAS. I heard a man a few mornings ago on television, on the "Today" program, being interviewed. He said within 5 or 10 years long-distance telephoning would be a thing of the past, that you will be able to telephone long distance just as cheaply as you can telephone downtown. Did you hear that program?

General O'CONNELL. I did not hear that program.

Mr. JONAS. He said there would be no charge for long-distance telephoning; that you will just pick up the phone and talk as long as you want to and pay the telephone company a monthly rental fee for the use of the equipment and that would be the end of it. Do you visualize anything like that?

General O'CONNELL. I have not gone that far in my thinking.

Mr. JONAS. I do not remember who was on the program but he advanced some sensational ideas.

Mr. THOMAS. He must be a planner for OEP.

General O'CONNELL. The advent of satellite communications has produced a lot of thinking and statements which are in the "blue sky" area, no pun intended.

Mr. JONAS. Forgive me for interrupting.

General O'CONNELL. I mentioned the additional responsibilities that have been added to the office in the past year and the year preceeding. The Presidential memorandum of August 21, 1963, assigned to this office certain Presidential responsibilities under the Communications Satellite Act, in addition to other responsibilities of a very major nature. I refer specifically to the creation of the National Communications System. Since that time, another Presidential Executive order has been issued—11191—which more specifically assigns to me Presidential responsibilities under the Communications Satellite Act.

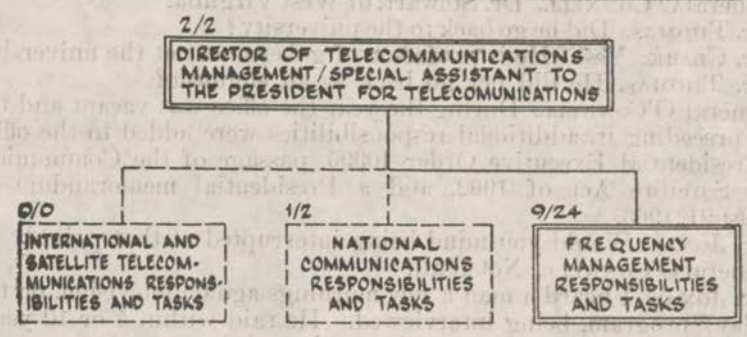
If it meets with your approval, Chairman Thomas, I would be glad to run through the remarks which I mentioned above in greater detail and discuss some of our problems.

Mr. THOMAS. Do it rather briefly.

(Whereupon a chart presentation was made as follows:)

CHART 1

DELEGATED FUNCTIONAL AREAS VS AUTHORIZED PERSONNEL




General O'CONNELL. I have divided the responsibility of the office up into these three categories, because it is a convenient way of indicating to you the functions that the office has assigned (chart 1). Frequency management responsibility has existed in the executive branch for 43 years, since the Interdepartment Radio Advisory Committee was first established. Congress has never been satisfied with the job that has been done in this area. I will touch on this later.

The two areas in which these new responsibilities I have mentioned to you fall are in the national communications area of responsibilities and tasks and the international and satellite area. The first—the formation of the National Communications System which the President established by memorandum of August 21, 1963, and which is supposed to bring about a consolidation and unification of all the communication systems of all the departments and agencies of the Government to the extent that it is thought advisable and profitable to put them together into one unified organization—is a tremendous task.

Mr. GIAIMO. What do the fractions on the chart mean?

General O'CONNELL. These are the personnel strengths we have in the various areas. In this area of frequency management responsibilities and tasks, which is the oldest area of our responsibility, we have 9 professional and 24 clerical employees (i.e., 9/24).

In the area of national communications responsibility, which includes emergency communication planning performed in conjunction with the Office of Emergency Planning, we have 1 professional and 2 clerical employees.

In the international and satellite telecommunications responsibility area we have no personnel (i.e., 0/0).

Mr. GIAIMO. How long will that stay zero and zero?

General O'CONNELL. Not long if I can convince you gentlemen of our needs.

What we have done to try to get the show on the road is to borrow people from whatever agency we could get them from and, as I say, these two gentlemen here are borrowed.

Mr. THOMAS. There is nothing wrong with that. You can be good neighbors.

General O'CONNELL. There are some problems, sir. They have very little future on the basis on which we are operating. If they stay with me long enough their agencies might think they can get along without them.

In addition, it takes about 6 months to get new personnel familiar with his operation and by that time they should be going back to their own agency. So far I have not returned any and I hope not to.

Mr. JONAS. Where did you borrow them?

General O'CONNELL. From the National Aeronautics and Space Council, from the Department of Defense, and the GSA. I might say the Space Council has been extremely helpful. We work closely with the Space Council, the Office of Science and Technology, GSA, the Department of Defense, and the State Department, among others.

Mr. THOMAS. Do you do business with Dr. Welsh of the Space Council? Can you speak his language or can he speak yours?

General O'CONNELL. We get along real well. Dr. Welch and his staff have been of tremendous help.

### LACK OF SAVINGS IN GSA COMMUNICATIONS SYSTEM

Mr. SHIPLEY. GSA has put into effect a new communications system and it was supposed to save a lot of money. You must have approved this before it was put into effect.

General O'CONNELL. I was not here when it was approved.

Mr. SHIPLEY. All the agencies are complaining that they are not saving money by using this system.

Mr. CLARK. The principal reason is that agencies are using communications to the tune of two or three times what they did before.

Mr. SHIPLEY. Before what?

Mr. CLARK. Before the Federal telecommunications system was put in. Actually—I am sorry I do not have the exact figures—the projection from figures in 1962 and 1963 carried into 1965 would probably indicate a total cost of communications for the civil agencies of the

Government of $60 million or $70 million. I think the FTS will provide those communications for less than $40 million. You should get those figures from Mr. Conrad of GSA.

Mr. SHIPLEY. When the agencies come in here they want more money and say the system is not saving any money.

General O'CONNELL. This is one of the responsibilities we should be discharging, looking into their operations, and we are not discharging it, sir. We now have no personnel for this task.

INTERNATIONAL SATELLITE AND TELECOMMUNICATIONS RESPONSIBILITIES

These are some of the urgent tasks—not all of them—that we are attempting under the heading of the international and satellite telecommunications responsibility [referred to chart 2]. The red (a) identifies responsibilities and tasks where there has been no real substantial progress—where we do not have a program going.

The orange (b), identifies responsibilities and tasks where we have devoted sporadic attention, largely as the pressures arise. If something critical occurs, for example, the Communications Satellite Corp. asks us to look into something or Congress asks us to look into something—as they did in the case of the establishment of the International Communication Satellite Consortium—then we get into that particular activity and endeavor to come up with an analysis and study. Last summer communication satellite matters took approximately my full time and Mr. Clark's full time for 6 weeks. This was shortly after I arrived.

You can read these charts faster than I can read them to you and I am just flashing them, really, to give you an indication of the kind of responsibilities and tasks we have and the fact that we are not really addressing the majority of them.

(The chart follows:)

CHART 2

O/O *

INTERNATIONAL AND SATELLITE TELECOMMUNICATIONS RESPONSIBILITIES AND URGENT TASKS

1 (a) Provide increased overall telecommunications efficiency and economy. (E. O. 10995)

2 (b) Provide international telecommunications policy and advice. (E. O. 10995)

3 (b) Assist President in his responsibilities stated in Communications Satellite Act of 1962. (E. O. 11191)

4 (b) Monitor activities of the Communications Satellite Corporation for the President. (E. O. 11191)

5 (a) Survey trends in telecommunications development, organization, and technology. (E. O. 10995)

6 (b) Review development, implementation, and operation of all Government and commercial satellite communication systems and programs. (E. O. 11191)

7 (a) Develop and maintain inventory of overall Government space communication needs. (E. O. 11191)

8 (b) Aid in planning and developing policy and programs for establishment and use of satellite communications for commercial, Governmental and national security needs. (E. O. 11191)

9 (b) Provide advice on application of advanced technology to meet unique communications needs of the Presidency. (President's memorandum of 21 August 1963)

10 (a) Establish technological base of information, with Office of Science and Technology and Bureau of the Budget, for use in review of R&D activities. (E. O. 10995)

11 (b) Establish plans for provision of adequate presentation at national and international telecommunications conferences. (E. O. 10995)

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(a) Identified -- No progress
(b) Sporadic -- Completely inadequate
(c) Reasonable progress

* Indicates current professional/clerical personnel strength.

Mr. SHIPLEY. Are they listed in the order of their importance?

General O'CONNELL. No, they are not.

We should be following very closely on a continuous basis the activities of the Communications Satellite Corp., for one thing.

We are engaged in one study in this area. We have gotten assistance from the Department of Defense in this area of studying the structure of our U.S. international common-carrier communications business. We have an outstanding research organization that is conducting a study for an intergovernmental committee on the subject. At the present time the Department of Defense is paying for this study. Next year we expect, and should be able to, pick up some of this expense.

Mr. GIAIMO. One of the large items in your budget is the increase in personnel. You said you were going to get to it. Have you a chart on that? I think you have covered your functions.

NATIONAL TELECOMMUNICATIONS AND FREQUENCY MANAGEMENT

General O'CONNELL. I am going to give you the same picture for the area of national telecommunications responsibilities, and here it is (chart 3), and for the area of frequency management responsibilities (chart 4).

(The charts follow:)

CHART 3

1/2 *

NATIONAL TELECOMMUNICATIONS RESPONSIBILITIES AND URGENT TASKS

1 (b) Provide policy guidance for development and operation of a National Communications System (NCS). President's memo 21 Aug 1963)

2 (b) Determine Presidential command-control requirements to be met by the NCS. (President's memo, 21 Aug 1963)

3 (a) Determine priorities of requirements to be met by the NCS. (President's memo, 21 Aug 1963)

4 (a) Formulate, coordinate, and issue overall national telecommunications policy. (E. O. 10995)

5 (b) Conduct planning and provide policy and plans for overall national telecommunications emergency/war readiness. (OEP Order 1100.1B)

6 (a) Coordinate emergency/war telecommunications readiness plans of Government departments and agencies. (OEP Order 1100.1B)

7 (b) Eliminate confusion and clarify responsibilities in Government planning, development, and operation of telecommunications. (E. O. 10995)

8 (a) Review all existing NCS plans, provide continuous monitoring, and make recommendations for issuance of NCS plans and programs approval. (President's memo, 21 Aug 1963)

9 (b) Make recommendations concerning adequacy of NCS systems designs. (President's memo, 21 Aug 1963)

10 (a) Establish improved national communications line-load control system. (E. O. 10995)

11 (a) Provide plans and policies for procurement of Government-owned/ Government-leased communications systems. (E. O. 10995)

12 (b) Provide plans for wartime control of telecommunications resource. (OEP Order 1100.1B) (E. O. 10705)

13 (b) Determine communications requirements for national and international crises control. (President's memo, 21 Aug 1963)

(a) Identified -- No progress
(b) Sporadic -- Completely inadequate
(c) Reasonable progress

* Indicates current professional/clerical personnel strength.

## CHART 4

9/24*

FREQUENCY MANAGEMENT RESPONSIBILITIES AND URGENT TASKS

1 (c) Supervise and coordinate activities of the Interdepartment Radio Advisory Committee (IRAC). (E. O. 10995)

2 (c) Provide chairmen and secretariat for IRAC and its Subcommittees. (E. O. 10995)

3 (b) Develop and maintain frequency requirements data for United States Government. (E. O. 10995)

4 (c) Assign radio frequencies to all Government departments and agencies. (E. O. 10995)

5 (c) Assist in exercise of Presidential authority to permit foreign nations to construct and operate radio stations at U. S. seat of Government. (E. O. 10995, as amended)

6 (c) Provide positions and representation at national and international radio communications conferences and meetings. (E. O. 10995)

7 (c) Automate frequency allocation and record keeping by introduction of electronic data processing to frequency management functions. (E. O. 10995)

8 (b) Provide policy, guidance, rules, and regulations to Government agencies for handling of frequency matters. (E. O. 10995)

9 (b) Provide improved methods for conservation of the radio frequency spectrum. (E. O. 10995)

---

(a) Identified -- No progress
(b) Sporadic -- Completely inadequate
(c) Reasonable progress

* Indicates current professional/clerical personnel strength.

IMMEDIATE OFFICE

General O'CONNELL. This chart details the responsibilities and tasks that must be addressed by my immediate office (chart 5). (The chart follows:)

CHART 5

IMMEDIATE OFFICE TASKS

2/2*
DIRECTOR OF TELECOMMUNICATIONS MANAGEMENT/
SPECIAL ASSISTANT TO THE PRESIDENT
FOR TELECOMMUNICATIONS

O/O* ADMIN. -- DEPUTY DIRECTOR -- O/O* LEGAL

| | |
|---|---|
| 1 (b) | Provide overall coordination of the activities of the Office of the Director of Telecommunications Management/Special Assistant to the President for Telecommunications. |
| 2 (a) | Take action to assure that all responsibilities assigned by Presidential orders and instructions are accomplished in the best interests of the nation and the economy. |
| 3 (a) | Assure adequacy of national telecommunications readiness. |
| 4 (b) | Prepare plans and procedures for administering emergency/war control of the national telecommunication resource. |
| 5 (a) | Conduct a review of all legislation and orders affecting telecommunications for eliminating deficiencies found. |
| 6 (a) | Assure legal adequacy of telecommunications plans, policies, rules, regulations, national and international positions and negotiations. |
| 7 (b) | Provide telecommunications advice to the President, the Congress, industry, Government agencies and departments. |
| 8 (b) | Conduct personnel, administrative, security, and other such support activities for the office. |

(a) Identified -- No progress
(b) Sporadic -- Completely inadequate
(c) Reasonable progress

* Indicates current professional/clerical personnel strength.

General O'CONNELL. I have been operating in all of these areas, really not doing a proper job of supervising my organization or plan-

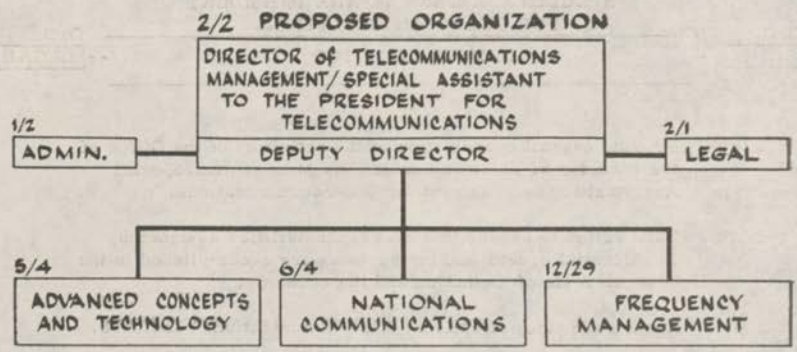
ning for organizational development, including recruitment of new personnel. This job is not being done adequately at all.

Mr. GIAIMO. Without objection, we shall put that in the record, if you will prepare it for us.

General O'CONNELL. This is the chart (chart 6) you asked for previously.

(The chart follows:)

CHART 6




Mr. GIAIMO. Its totals are a lot different than the 0/0 that you had on the first one.

General O'CONNELL. This represents a large percentage increase.

Mr. GIAIMO. Would you explain the increase?

General O'CONNELL. This is to provide people to take on the supervision, management, further identification of the projects and problems and to develop solutions to the tasks which I show under that heading.

Details are actually in the budget document. Here they are shown under different headings on the two charts, but they are the same. Responsibilities for determining the state of the art, for example, in communications, for determining what the various agencies of the Government are doing in research and development in the communications field to bring out duplications or overlaps or where nothing is going on where it should be going on.

Mr. GIAIMO. Is this a new problem you are addressing yourself to?

General O'CONNELL. It is a problem we need to start on.

Mr. GIAIMO. You are just setting up the Office?

General O'CONNELL. That is correct.

Mr. GIAIMO. You are presently working with two men.

General O'CONNELL. That is right.

Mr. GIAIMO. Now are you going to have 27 and 43 in 2 categories; 23 for what, and 43 for what?

General O'CONNELL. This was one professional, two clerical—National Communications. We have the addition of five professionals and two clericals. This was 0/0. This chart shows the adddition of five professionals and four clericals.

Mr. GIAIMO. In other words, the total is 27 professionals and 43 clericals? Do you have a green sheet on that?

General O'CONNELL. Yes; we have.

OFFICE SPACE

Mr. THOMAS. Where are you going to house all these people?

General O'CONNELL. We are located in five different places now.

Mr. THOMAS. Have you an area in Old Treasury?

General O'CONNELL. Yes. We have an area in a building near the Executive Office Building into which we are going to move as a group in about 3 or 4 weeks.

Mr. THOMAS. Are you going to be in Government or rented space?

General O'CONNELL. We are partly in leased space now and partly in Government-owned space.

Mr. THOMAS. What is your rent bill?

Mr. RICE. You mean currently, sir?

Mr. THOMAS. Yes.

Mr. RICE. The only areas that we are paying rent for are in the FDIC Building and the Columbian Building this current year, and that is somewhere in the neighborhood [interruption].

Mr. FRY. The FDIC and Columbian Building space totals about $24,000 for fiscal year 1964.

Mr. THOMAS. You are going to put these new employees in Government space or rented space?

General O'CONNELL. Partially in rented space.

Mr. GIAIMO. Proceed, General.

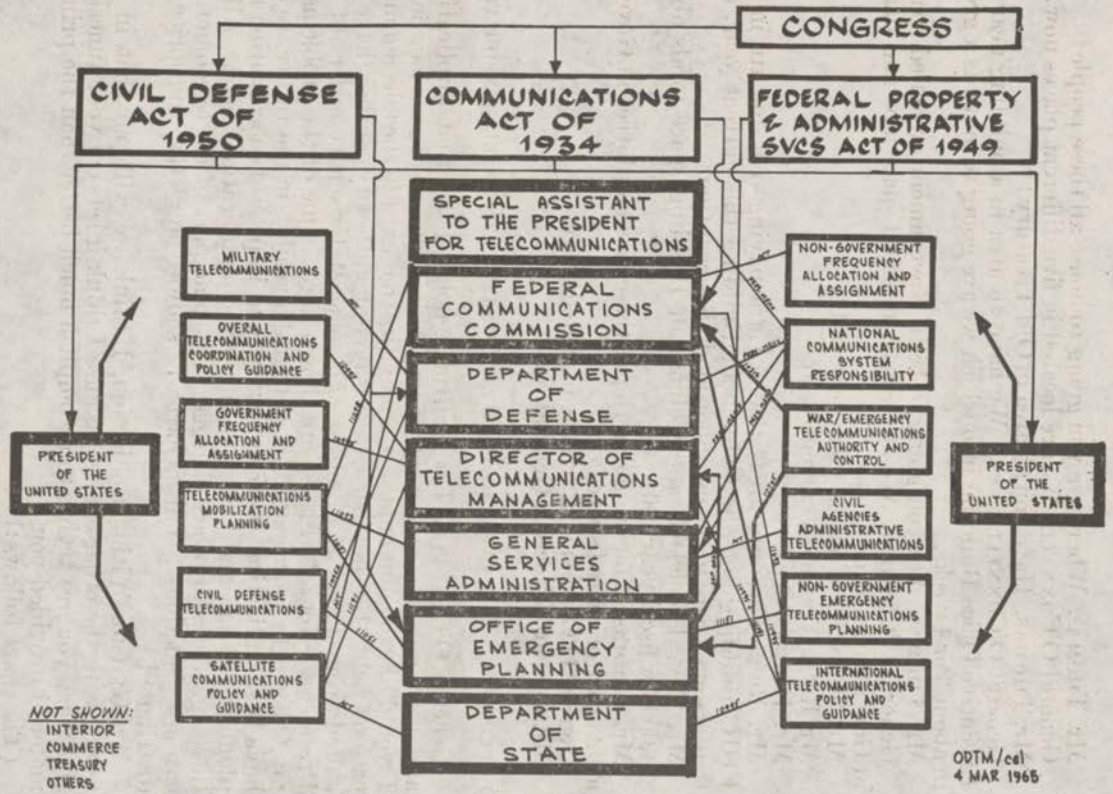
DUPLICATION AND OVERLAP IN TELECOMMUNICATIONS RESPONSIBILITIES

General O'CONNELL. The chairman pointed out that duplications and overlaps and complexities of responsibilities exist in various fields. I would like to point out the complexities that exist in the telecommunications field; the number of divisions of authority as they have resulted from 3 acts of Congress and some 21 Executive orders of the President. Not all of these are shown here. One of the problems of my Office is to coordinate this so that, hopefully, in the future we can have less duplication, less complexity, and improved coordination and planning of national policy in the telecommunications field. All of these agencies shown are charged with some part of the telecommunications functions. This chart 7 shows how the authority is distributed.

Mr. GIAIMO. Without objection, I think we will put that in the record with the other charts, because I think it sets out your functions and what you are trying to accomplish much better than the printed material provided you.

(The chart follows:)

CHART 7


CONGRESS
CIVIL DEFENSE ACT OF 1950
COMMUNICATIONS ACT OF 1934
FEDERAL PROPERTY & ADMINISTRATIVE SVCS ACT OF 1949
SPECIAL ASSISTANT TO THE PRESIDENT FOR TELECOMMUNICATIONS
FEDERAL COMMUNICATIONS COMMISSION
DEPARTMENT OF DEFENSE
DIRECTOR OF TELECOMMUNICATIONS MANAGEMENT
GENERAL SERVICES ADMINISTRATION
OFFICE OF EMERGENCY PLANNING
DEPARTMENT OF STATE
MILITARY TELECOMMUNICATIONS
OVERALL TELECOMMUNICATIONS COORDINATION AND POLICY GUIDANCE
GOVERNMENT FREQUENCY ALLOCATION AND ASSIGNMENT
TELECOMMUNICATIONS MOBILIZATION PLANNING
CIVIL DEFENSE TELECOMMUNICATIONS
SATELLITE COMMUNICATIONS POLICY AND GUIDANCE
NON-GOVERNMENT FREQUENCY ALLOCATION AND ASSIGNMENT
NATIONAL COMMUNICATIONS SYSTEM RESPONSIBILITY
WAR/EMERGENCY TELECOMMUNICATIONS AUTHORITY AND CONTROL
CIVIL AGENCIES ADMINISTRATIVE TELECOMMUNICATIONS
NON-GOVERNMENT EMERGENCY TELECOMMUNICATIONS PLANNING
INTERNATIONAL TELECOMMUNICATIONS POLICY AND GUIDANCE
PRESIDENT OF THE UNITED STATES
PRESIDENT OF THE UNITED STATES
NOT SHOWN:
INTERIOR
COMMERCE
TREASURY
OTHERS
ODTM/cel
4 MAR 1965

General O'Connell. We think we should address ourselves to trying to improve this complex situation. We do not even show all the executive departments on this chart.

RECRUITMENT OF PERSONNEL

Mr. Thomas. Will you have trouble recruiting additional personnel? Where are you going to get these people?

General O'Connell. These numbers in parentheses indicate those personnel who are either aboard now on loan or from whom we have applications and who are ready to come aboard. We are getting a free ride right now, sir, and, of course, we are not entitled to it legally.

Mr. Thomas. Are the parent agencies going to turn loose these distinguished people?

General O'Connell. I think so. They want to come with us. I think the agencies will let them go. I do not have any doubt on this score.

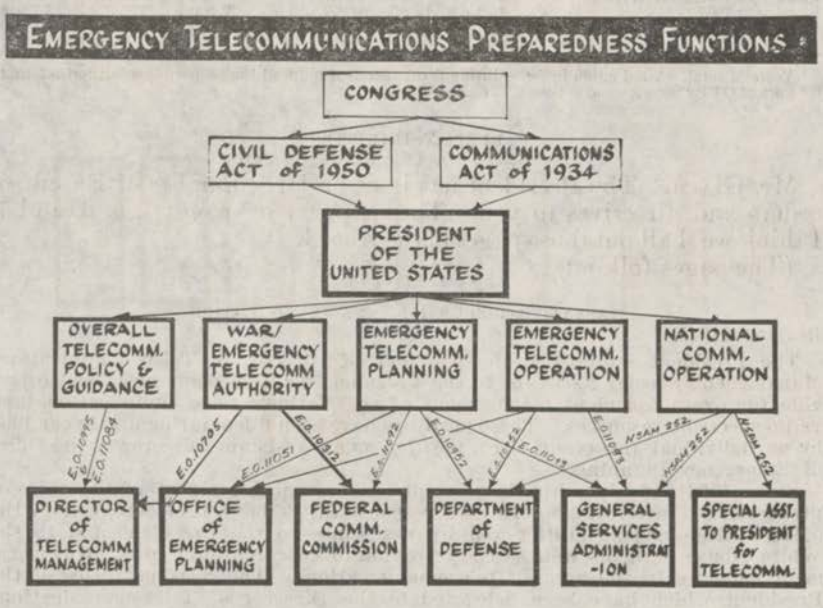
Mr. Giaimo. Proceed to the next chart, General.

General O'Connell. I do not know whether you will want this. As I say, the previous chart (chart 7) is somewhat oversimplified, although it looks less complex than it is. This (chart 8) shows but one of the areas—Telecommunications Mobilization Planning—the situation as to the various assignments of telecommunications responsibility and divisions of responsibility that exist. Here again, one can see that this is a very complicated picture. It is extremely difficult to effect coordination.

Mr. Giaimo. Without objection, we will put that in, too.

(The chart follows:)

Chart 8



General O'CONNELL. I do not know whether to show this chart or not. My staff frequently says that I remind them of this chart. I cannot accept this. I think I am accomplishing more than this fellow is. That (chart) is inaccurate in a number of respects, because there should be "many more logs in the stream."

Mr. THOMAS. How in the world did we get along for the last 15 or 20 years when we fought a couple of wars?

General O'CONNELL. I would like to ask you to speak to Chairman Henry of the Federal Communications Commission on that subject. In his recent testimony before the Senate Communications Subcommittee of the Commerce Committee he said he did not know how they got along without the cooperation this Office is now giving.

Mr. THOMAS. He does not have too many defects over at FCC, does he?

Mr. GIAIMO. Has anyone any general questions before we get into the estimates?

(No response.)

JUSTIFICATION MATERIAL

Mr. GIAIMO. Then we will proceed to the estimates.

You are asking for 70 positions and $1,531,000. We will put page 3 in the record.

(The page follows:)

*Appropriation and personnel history—Obligations*

| Period | Positions | Man-years | Compensation and benefits | Other objects | Studies and research | Total appropriation |
|---|---|---|---|---|---|---|
| Fiscal year 1964 | [1] 40 | 37 | $410,000 | $55,000 | ---------- | [2] $465,000 |
| Fiscal year 1965 | 40 | 40 | 427,000 | 52,000 | $250,000 | [2] 729,000 |
| Fiscal year 1966 | 70 | 65 | 793,000 | 378,000 | 360,000 | 1,531,000 |

[1] Yearend total. A reduction in force during fiscal year 1964 reduced the 53 positions authorized to 40.
[2] Part of OEP "Salaries and expenses" appropriation.

RESPONSIBILITIES

Mr. GIAIMO. The President has issued a large number of Executive orders and directives to you. These appear on pages 4, 5, 6, and 7. I think we shall put those pages in the record.

(The pages follow:)

NARRATIVE DISCUSSION AND JUSTIFICATION

*Responsibilities*

The President established the positions of Director of Telecommunications Management/Special Assistant to the President for Telecommunications to provide for overall prudent management of the Nation's telecommunications and radio spectrum resources. These positions have been filled during fiscal year 1965 by an individual also occupying a position as an Assistant Director of the Office of Emergency Planning.

Since 1963 and since appointment of the present incumbent of the office, a progressively increasing number of responsibilities have been assigned to the office. These responsibilities require assistance to the President and to the White House Staff, as well as the provision of coordination among all Government agencies in the area of telecommunications. The responsibilities of the President which have been delegated to the Director of Telecommunications

Management/Special Assistant to the President for Telecommunications and/or the instruments of delegation are:

1. Sections 305 and 606 of the Communications Act of 1934, as amended.
2. The Communications Satellite Act of 1962.
3. Presidential Executive Order 10705—delegating certain authority of the President relating to radio stations and communications.
4. Presidential Executive Order 10995—assigning telecommunications functions.
5. Presidential Executive Order 11051—prescribing responsibilities of the Office of Emergency Planning in the Executive Office of the President.
6. Presidential Executive Order 11084—amending Executive Order 10995, relating to telecommunications.
7. Presidential Executive Order 11191—providing for the carrying out of certain provisions of the Communications Satellite Act of 1962.
8. Presidential memorandum of August 21, 1963, subject: Establishment of the national communications system.

General responsibilities and certain specific duties delegated to the Director of Telecommunications Management/Special Assistant to the President for Telecommunications include the following:

1. Coordinating telecommunications activities of the executive branch of Government, and formulating overall policies and standards therefor (Executive Order 10995).
2. Encouraging and promoting establishment of uniform policies and standards by all Government agencies authorized to operate telecommunications systems (Executive Order 10995).
3. Encouraging and monitoring telecommunications research and development activities (Executive Order 10995).
4. Establishing interagency telecommunications advisory committees and working groups (Executive Order 10995).
5. Issuing rules and regulations to carry out duties and responsibilities assigned under Executive Order 10995.
6. Providing assistance and policy advice to the Department of State in its discharge of functions in the fields of telecommunications policies, positions, and negotiations on international matters (Executive Order 10995).
7. Aiding in the planning and development of a national program for establishment and operation of a commercial communications satellite system (Executive Order 11191).
8. Conducting continuous review of all phases of the development and operation of a commercial communications satellite system, including the activities of the Communications Satellite Corp. (Executive Order 11191).
9. Coordinating the activities of governmental agencies with responsibilities in the field of telecommunications, so as to assure full and effective compliance with the Communications Satellite Act of 1962 (Executive Order 11191).
10. Recommending all steps necessary to ensure the availability and appropriate utilization of the communications satellite system for general Government purposes (Executive Order 11191).
11. Recommending actions necessary to attain coordinated and efficient use of the electromagnetic spectrum and technical compatibility of the communications satellite system with existing communication systems in the United States and abroad (Executive Order 11191).
12. Preparing annual communications satellite reports for the President to submit to the Congress. These to contain a comprehensive description of the activities and accomplishments during the preceding year under the national program, together with an evaluation of such activities and accomplishments in terms of the attainment of the objectives of the Communications Satellite Act of 1962, and recommendations for additional legislative or other actions which the President may consider necessary or desirable (Executive Order 11191).
13. Authorizing foreign governments, under certain conditions, to construct and operate radio stations at the seat of U.S. Government (Executive Order 11084).
14. Supervising and directing activities of the Interdepartment Radio Advisory Committee (Executive Order 10995, as amended, and redelegated).
15. Developing data concerning frequency requirements of the U.S. Government (Executive Order 10995).

16. Assigning radio frequencies to all Government agencies (Executive Order 10995, as amended, and redelegated).

17. Coordinating the development of plans and programs for the mobilization and use of telecommunications resources in an emergency; providing telecommunications policy guidance to other agencies; planning to administer the use of the national telecommunications resource in a war emergency; and, upon proclamation that the United States is engaged in a war, administering the use of the telecommunications resource (OEP order 1100.1B).

18. Provision of policy direction for the development and operation of the national communications system. This activity includes, but is not limited to, the broad activities described in items 19 through 23 which follow (Presidential memorandum of August 21, 1963).

19. Providing advise to the President with respect to communication requirements to be supplied through the national communications system (NCS); the responsibilities of the agencies in implementing and utilizing the NCS; the guidance to be given to the executive agent of the NCS concerning its design and operation; and the adequacy of the system design to provide emergency communication under varying conditions.

20. Identifying those requirements for communication unique to the needs of the Presidency.

21. Providing guidance as to the relative priority of requirements.

22. Conducting a continuing review of NCS activities to assure compliance with policy and program guidance provided.

23. Assuring that there is adequate planning to meet future needs of the national communications system.

Mr. GIAIMO. You have told us what your plans and objectives are, so we will not put those pages in the record.

ADDITIONAL POSITIONS FOR DIRECTOR'S OFFICE

Salaries and expenses in the Office of the Director and Deputy Director: On page 10 we will put in the paragraph on the new positions for the immediate Office of the Director.

(The material follows:)

*Justification for new positions in the immediate Office of the Director and Deputy Director of Telecommunications Management*

The two secretaries now available as a personal staff are wholly inadequate in number to assist the Director and his Deputy in the supervision and management of the office, of the many activities involved, and to accomplish the necessary personnel, security, legal, and administrative functions needing to be handled within the office.

The following personnel augmentations are required within the immediate Office of the Director of Telecommunications Management/Special Assistant to the President for Telecommunications:

1 GS–18 legal counsel.
1 GS–15 executive assistant.
1 GS–15 legal assistant.
1 GS–11 administrative assistant.
2 GS–6 secretaries.

Mr. JONAS. Will you yield at this point? The 6 personnel positions requested are part of your 30 additional requested?

General O'CONNELL. Yes, sir.

ADDITIONAL POSITIONS FOR ADVANCED CONCEPTS AND TECHNOLOGY

Mr. GIAIMO. We will proceed to page 18. We shall put in page 18, which sets forth nine positions. Those are all the new positions you are asking for in this functional area. Am I correct?

Mr. MORRIS. Part of the total of 30, sir. This directorate now has no personnel.

Mr. GIAIMO. We will put that page in and the narrative that precedes it.

(The material follows:)

ADVANCED CONCEPTS AND TECHNOLOGY DIRECTORATE

*Justification for new positions*

The foregoing urgent, complex, and time-consuming tasks require the full-time attention of a small core of skilled professional personnel dedicated to the improvement of telecommunications from an overall national viewpoint. At present, no personnel are assigned or provided to the Director of Telecommunications Management for the accomplishment of these tasks.

Only a few of the tasks described are receiving token attention by the Director of Telecommunications Management; one is being partially accomplished initially by a nonprofit research organization, and the remainder are not being accomplished. All of these tasks need attention at the earliest possible time. While technology and Government problems are increasing at a rapid rate, the overall coordinated approach to the state-of-the-art utilization, the formulation of coordinated national and international policies, and the attainment of increased efficiency and economy in the use of telecommunications are not being achieved because of a lack of personnel in the Office of the Director of Telecommunications Management.

Responsibilities have been assigned. Some of the problems have been identified. The primary need now is to provide the personnel and money to get on with the job.

No personnel are now authorized for this directorate or these tasks. The personnel augmentations required are considered the absolute minimum, and are as follows (five professional and four support personnel); one GS–18 supervisory operations analyst-electronic engineer, one GS–16 economist, one GS–16 physicist, one GS–15 electronic engineer, one GS–12 electronic engineer, one GS–7 secretary, one GS–6 secretary, one GS–5 secretary, one GS–4 clerk.

ADDITIONAL POSITIONS FOR NATIONAL COMMUNICATIONS DIRECTORATE

Mr. GIAIMO. We shall put in the record the bottom portion of page 25 which refers to the justification for new positions for the National Communications Directorate and which sets forth seven additional positions.

(The material follows:)

NATIONAL COMMUNICATIONS DIRECTORATE

*Justification for new positions*

It is manifest from the foregoing discussion that the duties of this directorate cannot be initiated unless staff is provided. The augmentation required for this portion of the Office of the Director of Telecommunications Management is as follows: one GS–18 supervisory operations analyst-electronic engineer, one GS–17 electronic engineer, one GS–16 operations analyst-communication specialist, one GS–15 electronic engineer-communication specialist, one GS–12 electronic engineer-communication specialist, one GS–7 secretary, one GS–6 secretary.

FREQUENCY MANAGEMENT POSITIONS

Mr. GIAIMO. We will put in page 34, the justifications for eight new positions for frequency management.

(The page follows:)

FREQUENCY MANAGEMENT DIRECTORATE

*Justification for new positions*

To adequately perform the assigned responsibilities of Executive branch radio frequency duties, personnel augmentation is required. These requirements are

primarily centered around those tasks involved with the IRAC and the international frequency allocations. The positions required are as follows:

Frequency management engineer-electronic engineer, one GS–18.
Electronic engineer; one GS–14.
Electronic engineer; one GS–13.
Secretary, one GS–7.
Secretary, one GS–6.
Clerk-typists, three GS–4.

PERSONNEL DATA

Mr. GIAIMO. Then we shall go to the green sheets, page 35. We shall put the green sheets in the record.

(The pages follow:)

*Detail of personnel compensation*

| Title | Grade | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|---|
| | | Number | Salary | Number | Salary | Number | Salary |
| Special Assistant to the President for Telecommunications and Director of Telecommunications Management. | (1) | 1.0 | $20,000 | 1.0 | $26,000 | 1 | $28,500 |
| Deputy Director of Telecommunications Management. | (1) | | | | | 1 | [2] 26,000 |
| Supervisory operations analyst and electronic engineer. | GS–18 | | | | | 2 | 49,000 |
| Special assistant to the Director of Telecommunications Management. | GS–18 | 1.0 | 20,000 | 1.0 | 24,500 | | |
| Director of Telecommunications Office. | GS–18 | 1.0 | 20,000 | | | | |
| Frequency management engineer-electronic engineer. | GS–18 | | | | | 1 | 24,500 |
| Legal counsel | GS–18 | | | | | 1 | 24,500 |
| Electronic engineer | GS–17 | 1.0 | 20,000 | 1.0 | 24,445 | 2 | 42,890 |
| Economist | GS–16 | | | | | 1 | 18,935 |
| Physicist | GS–16 | | | | | 1 | 18,935 |
| Operations analyst and communications specialist. | GS–16 | | | | | 1 | 18,935 |
| Electronic engineer | GS–16 | 1.0 | 18,000 | 1.0 | 21,555 | | |
| Electronic engineer and communications specialist. | GS–15 | 6.0 | 100,685 | 4.0 | 73,250 | 4 | 74,960 |
| Executive assistant | GS–15 | | | | | 1 | 16,460 |
| Legal assistant | GS–15 | | | | | 1 | 16,460 |
| Operations analyst and communications specialist. | GS–15 | | | | | 1 | 16,460 |
| Electronic engineer | GS–14 | 1.0 | 14,515 | 1.0 | 15,150 | 2 | 29,810 |
| Do | GS–13 | 1.0 | 11,725 | 2.0 | 24,150 | 3 | 35,885 |
| Communications specialist and electronic engineer. | GS–12 | 2.0 | 20,630 | 1.0 | 10,250 | 2 | 20,500 |
| Programer | GS–12 | | | | | 1 | 10,250 |
| Administrative assistant | GS–11 | | | 1.0 | 9,240 | 2 | 19,070 |
| Programer | GS–11 | | | | | 1 | 8,650 |
| Communications specialist and electronic engineer. | GS–11 | 4.0 | 36,160 | 2.0 | 18,775 | | |
| Communications specialist and electronic engineer. | GS–9 | | | | | 1 | 8,690 |
| Secretary | GS–9 | 3.0 | 23,390 | 2.0 | 16,155 | 1 | 7,710 |
| Various | (3) | 31.0 | 171,065 | 23.0 | 37,945 | 39 | 217,490 |
| Total permanent positions | | 53.0 | 476,170 | | 401,425 | 70 | 734,590 |
| Pay above annual rates | | | 2,502 | | 1,200 | | 1,600 |
| Lapses | | −8.1 | −87,559 | −.4 | −3,915 | −9 | −82,684 |
| Net savings due to lower pay scales for part of year. | | | −10,000 | | −300 | | |
| Net permanent (average number, net salary). | | 44.9 | 381,013 | 39.6 | 398,510 | 61 | 653,56 |
| Positions other than permanent: | | | | | | | |
| Part-time employment | | | 1,785 | | | | |
| Intermittent employment | | | | | | | 90,000 |
| Other personnel compensation: Overtime and holiday pay. | | | 82 | | 490 | | 494 |
| Total personnel compensation | | | 382,880 | | 399,000 | | 744,000 |

[1] Per annum.
[2] This assumes establishment of an independent office pursuant to recommended reorganization plan.
[3] GS–8 and under.

Mr. GIAIMO. Does anyone have any questions on the green sheets?

(No response.)

Mr. GIAIMO. These set forth 30 new positions, do they not, which you are requesting?

Mr. LATHEY. Yes, sir.

Mr. SHIPLEY. I think you have done a really good job in giving us your program and what you want to do and the justification of your new positions.

Mr. GIAIMO. I think we should put the staffing pattern in the record, since it indicates the types of people you are hiring, especially in the higher grades. We shall put pages 39, 40, 41, and 42 in the record.

(The pages follow:)

*Staffing pattern*

| | Grade | Fiscal year 1965 ceiling | Fiscal year 1966 request | Change |
|---|---|---|---|---|
| Total, Office | | 40 | 70 | +30 |
| Executive Office, Director, Telecommunications Management | | 4 | 10 | +6 |
| Special Assistant to the President for Telecommunications, Director, Telecommunications Management | (1) | 1 | 1 | 0 |
| Deputy Director | (1) | 0 | 1 | +1 |
| Special Assistant to the Director, Telecommunications Management | GS-18 | 1 | 0 | −1 |
| Legal counsel | GS-18 | 0 | 1 | +1 |
| Executive assistant | GS-15 | 0 | 1 | +1 |
| Legal assistant | GS-15 | 0 | 1 | +1 |
| Administrative assistant | GS-11 | 1 | 2 | +1 |
| Secretary | GS-9 | 0 | 1 | +1 |
| Do | GS-8 | 1 | 0 | −1 |
| Do | GS-6 | 0 | 2 | +2 |
| Advanced concepts and technology directorate | | 0 | 9 | +9 |
| Supervisory operations analyst, electronic engineer | GS-18 | 0 | 1 | +1 |
| Economist | GS-16 | 0 | 1 | +1 |
| Physicist | GS-16 | 0 | 1 | +1 |
| Electronic engineer | GS-15 | 0 | 1 | +1 |
| Electronic engineer | GS-12 | 0 | 1 | +1 |
| Secretary | GS-7 | 0 | 1 | +1 |
| Secretary | GS-6 | 0 | 1 | +1 |
| Secretary | GS-5 | 0 | 1 | +1 |
| Clerk | GS-4 | 0 | 1 | +1 |
| National communication directorate | | 3 | 10 | +7 |
| Supervisory operations analyst, electronic engineer | GS-18 | 0 | 1 | +1 |
| Electronic engineer | GS-17 | 0 | 1 | +1 |
| Operations analyst, communications specialist | GS-16 | 0 | 1 | +1 |
| Electronic engineer, communications specialist | GS-15 | 1 | 2 | +1 |
| Electronic engineer, communications specialist | GS-12 | 0 | 1 | +1 |
| Secretary | GS-7 | 0 | 1 | +1 |
| Secretary | GS-6 | 1 | 2 | +1 |
| Clerk | GS-4 | 1 | 1 | 0 |
| Frequency management directorate | | 33 | 41 | +8 |
| Frequency management engineer, electronic engineer | GS-18 | 0 | 1 | +1 |
| Electromagnetics engineer, electronic engineer | GS-17 | 1 | 1 | 0 |
| Electronic engineer | GS-16 | 1 | 0 | −1 |
| Electronic engineer | GS-15 | 3 | 2 | −1 |
| Electronic engineer | GS-14 | 1 | 2 | +1 |
| Electronic engineer | GS-13 | 2 | 3 | +1 |
| Communications specialist, electronic engineer | GS-12 | 1 | 1 | 0 |
| Communications specialist, programer, electronic engineer | GS-11 | 2 | 1 | −1 |
| Communications specialist, electronic engineer | GS-9 | 2 | 1 | −1 |
| Secretary | GS-7 | 0 | 1 | +1 |
| Supervisory clerk | GS-7 | 5 | 4 | −1 |
| Secretary | GS-6 | 0 | 2 | +2 |
| Clerk | GS-6 | 1 | 0 | −1 |
| Secretary | GS-5 | 0 | 1 | +1 |
| Clerk | GS-5 | 10 | 10 | 0 |
| Clerk-typist | GS-4 | 3 | 11 | +8 |
| Clerk-typist | GS-3 | 1 | 0 | −1 |

[1] Per annum.

STUDIES AND RESEARCH CONTRACTS

Mr. GIAIMO. Under "Studies and research contracts" you are asking for $360,000. On page 43 we will put the first two paragraphs in the record.

(The material follows:)

*Studies and research contracts*

| | 1965 estimate | 1966 estimate |
|---|---|---|
| Obligations | $250,000 | $360,000 |

In developing the fiscal year 1966 research and development program a number of critical and specific projects were proposed to provide accomplishment of some of the responsibilities assigned to the Office of the Director of Telecommunications Management. Each project proposed considered the inadequacy of in-house capabilities even after augmentation and the need for such outside accomplishments to begin to discharge the responsibilities of the office in providing telecommunications policy guidance to Federal Government agencies. The proposed projects were carefully screened to provide an austere research and development effort, which will meet only the barest minimum requirements of the Office. Most of the moneys requested are designed to effect future economies in frequency management, allocation, review, and monitoring duties; early implementation of a national communications system, which will permit economy in governmental procurement and utilization of communication concurrent with increased operational effectiveness during day-to-day operations and during periods of national and international crises; and to provide consistency and effectiveness in international telecommunications matters to the best interests of the United States and the economy.

The $360,000 requested are for procurement of contractual services during fiscal year 1966. These funds are needed to support the assigned and expanded telecommunications effort and to supplement staff capabilities. In part, the moneys will support continuing efforts approved for and being conducted during fiscal year 1965, while the remainder will directly provide accelerated accomplishment of other duties assigned to the Director of Telecommunications Management and Special Assistant to the President for Telecommunications. Descriptions of projects anticipated are contained in the following paragraphs.

Mr. GIAIMO. On page 48, we have the summary by object class.

TRAVEL

On page 49, your travel goes from $5,000 to $40,000. Can you justify that increase?

General O'CONNELL. I do not know that it is justified specifically in detail in the written budget submission. Actually, here again this year we borrowed some money from other agencies.

Mr. GIAIMO. You mean you were spending more than $5,000?

General O'CONNELL. We actually spent more than $5,000.

Mr. GIAIMO. How much did you spend?

General O'CONNELL. We have not added it up.

Mr. GIAIMO. Have you any idea?

General O'CONNELL. About $2,000 more.

Mr. GIAIMO. You mean roughly about $7,000. Now you are jumping up to $40,000.

Mr. THOMAS. What is the occasion of your travel, General? You deal with agencies right here in the District of Columbia.

General O'CONNELL. We do. We also have a need for travel to Europe to work with the International Telecommunications Union, the NATO Civil Communications Planning Committee, and with other international bodies. I have been remiss this year in not going over there to get a better picture of what has been happening.

Mr. THOMAS. How many international conferences do you have scheduled this year?

General O'CONNELL. We have two. Of particular importance is one in September. We plan to send people. We have a contract, to which I alluded, with Stanford Research Institute in Menlo Park, Calif. We will necessarily be making several trips out there. I would say about 8 to 10 man-trips.

OTHER COSTS

Mr. GIAIMO. For rent, communication and utilities you are asking for $250,000, of which $233,000 is for the rental of an ADP-computer machine, is that correct?

General O'CONNELL. That is right, sir.

Mr. GIAIMO. Other services, contractual studies and research, services of other agencies. Basically, the greatest portion of this is taken up by the rental of the computer, is that correct?

General O'CONNELL. That is correct.

Mr. GIAIMO. What is this other item of equipment on page 51—$18,000? That is an increase over $5,591. Is that for maintenance and replacement of office furniture?

Mr. MORRIS. It is for office furniture for the 30 new personnel positions at roughly $500 per position, plus $3,000 for maintenance and replacement of existing furniture; a total of $18,000.

Mr. GIAIMO. Under object class 26 you are doubling the amount of supplies and materials, from $5,000 to $10,000. Why?

General O'CONNELL. Again, increase in operations.

Mr. THOMAS. General, you do not have any laboratory set up anyplace, do you?

General O'CONNELL. No.

Mr. THOMAS. You are not going to get into the laboratory business?

General O'CONNELL. No, sir.

Mr. THOMAS. Your research contracts will be with private organizations?

General O'CONNELL. Yes, sir.

Mr. THOMAS. Any further questions, gentlemen?

Gentlemen, it is nice to do business with you.

# EMERGENCY HEALTH ACTIVITIES, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

## WITNESSES

ARNOLD H. DODGE, ACTING CHIEF, DIVISION OF HEALTH MOBILIZATION
DR. DAVID E. PRICE, DEPUTY SURGEON GENERAL
ROBERT J. WALLACE, FINANCIAL MANAGER, DHM
HARRY L. DORAN, CHIEF FINANCE OFFICER
JAMES F. KELLY, DEPARTMENT COMPTROLLER

### *Object classification*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Personnel compensation: | | | |
| 11.1 | Permanent positions | 1,662 | 1,781 | 1,782 |
| 11.3 | Positions other than permanent | 48 | 27 | 27 |
| 11.5 | Other personnel compensation | 6 | 9 | 9 |
| | Total personnel compensation | 1,716 | 1,817 | 1,818 |
| 12.0 | Personnel benefits | 150 | 152 | 152 |
| 21.0 | Travel and transportation of persons | 129 | 211 | 238 |
| 22.0 | Transportation of things | 1,715 | 939 | 927 |
| 23.0 | Rent, communications, and utilities | 49 | 56 | 62 |
| 24.0 | Printing and reproduction | 70 | 77 | 95 |
| 25.1 | Other services | 18 | 42 | 58 |
| 25.2 | Services of other agencies | 4,930 | 5,414 | 5,947 |
| 26.0 | Supplies and materials | 3,649 | 2,566 | 10,809 |
| 31.0 | Equipment | 4,538 | 23 | 29 |
| 41.0 | Grants, subsidies, and contributions | 231 | 244 | 245 |
| 99.0 | Total obligations | 17,195 | 11,541 | 20,380 |

### *Personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|
| Total number of permanent positions | 181 | 181 | 181 |
| Full-time equivalent of other positions | 5 | 3 | 3 |
| Average number of all employees | 164 | 177 | 177 |
| Average GS grade | 8.0 | 8.0 | 8.1 |
| Average GS salary | $7,771 | $7,972 | $8,052 |

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Medical stockpile: | | | |
| | (a) Acquisition of stocks | 11,720 | 8,891 | 7,764 |
| | (b) Inventory management | 6,028 | 6,156 | 6,460 |
| | (c) Stockpile management | 526 | 613 | 614 |
| | 2. Emergency health training and community preparedness | 2,035 | 2,477 | 2,647 |
| | 3. Adjustment of prior year costs | −165 | | |
| | Total program costs, funded [1] | 20,143 | 18,137 | 17,485 |
| | Change in selected resources [2] | −2,949 | −6,596 | 2,895 |
| 10 | Total obligations | 17,195 | 11,541 | 20,380 |
| | Financing: | | | |
| 16 | Comparative transfers from other accounts | −10 | | |
| 21 | Unobligated balance available, start of year | −2,351 | −12,666 | −10,000 |
| 24 | Unobligated balance available, end of year | 12,666 | 10,000 | |
| 40 | New obligational authority (appropriation) | 27,500 | 8,875 | 10,380 |
| | Relation of obligations to expenditures: | | | |
| 10 | Total obligations | 17,195 | 11,541 | 20,380 |
| 70 | Receipts and other offsets (items 11-17) | −10 | | |
| 71 | Obligations affecting expenditures | 17,185 | 11,541 | 20,380 |
| 72 | Obligated balance, start of year | 16,653 | 13,592 | 12,133 |
| 74 | Obligated balance, end of year | −13,592 | −12,133 | −24,513 |
| 77 | Adjustments in expired accounts | −165 | | |
| 90 | Expenditures | 20,080 | 13,000 | 8,000 |

[1] Includes capital outlay as follows: 1964, $4,397,000; 1965, $1,440,000; 1966, $29,000.
[2] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $15,050,000; 1964 adjustments (−$165,000); 1964, $11,936,000; 1965, $5,340,000; 1966, $8,235,000

Mr. THOMAS. Gentlemen, the committee will please come to order. We are delighted to have our friends here from the Public Health Service this morning. These gentlemen have a responsible job handling all of these medicines and hospitals. It is nice to have you with us.

GENERAL STATEMENT

Mr. Dodge, do you have a statement for us?

Mr. DODGE. I can either read it or summarize it, Mr. Chairman.

Mr. THOMAS. Whatever your pleasure.

Mr. DODGE. I can summarize, in the interest of time.

Mr. THOMAS. And put the statement in the record.

(Mr. Dodge's prepared statement follows:)

STATEMENT BY CHIEF, DIVISION OF HEALTH MOBILIZATION

Mr. Chairman and members of the committee, it is, indeed, with pleasure that I accept the opportunity to present the emergency health activities program of the Public Health Service. We have several program innovations which are specifically designed to improve the national preparedness posture. I would like

to describe these within the context of the overall Public Health Service responsibility to provide essential emergency health services to the Nation's communities in the event that disaster strikes. Fundamental in the provision of emergency health services is the effective utilization of all health resources by a population which has been appropriately indoctrinated in the principles of disaster management. The Federal Government, through the prudent acquisition and wide dispersal of health protecting and lifesaving resources, can provide a prime material element for survival, but this must be coupled with sound guidance to the various States and communities. It has become quite clear that any disaster oriented program designed to maintain a continuity of essential health services is inherently complex. Any set of program principles established is significantly vulnerable to changes in disaster concepts. Accordingly, the emergency health activities of the Public Health Service are carefully developed, experience modified, and specifically implemented so that the greatest preparedness and life protecting benefits can be derived within the overall program objectives. I will now discuss each of the various activities briefly, noting accomplishments in the past and proposals for the future.

### MEDICAL STOCKPILE ACTIVITIES

Achievement in the medical stockpile program are as follows:

1. Additional new emergency hospitals are being shipped to communities throughout the United States as rapidly as States designate suitable storage sites in compliance with the criteria established by the PHS. By June of this year, 2,680 emergency hospitals will be on-site in communities to meet disaster situations. This activity carries out a major program objective, that of placing emergency health supplies and hospital care capability at the proper geographic point—at the community level.

2. Acquisition of the third increment in the supply additions to the older pre-positioned emergency hospitals will be completed at about this same time. This increment brings to about the halfway point the program of increasing the operational capability of these hospitals from 3–4 days to 30 days. The need for this increased self-sufficiency at the community level is based on the high probability that, following an enemy attack or severe natural disaster, communities would be cut off from outside supply sources. Severe losses in transportation and communication capability can be expected and has actually occurred during recent natural disasters.

3. Almost complete replacement of deteriorated materials in the currently pre-positioned emergency hospitals was accomplished by the end of calendar year 1964. Major program emphasis is being placed on the importance of maintaining these hospitals in a state of constant readiness to meet disaster situations.

4. Vaccines, which had previously been maintained in bulk storage at manufacturers locations, are being processed and packaged for placement at strategic locations for immediate disaster use. Conversion of bulk vaccine into dosage forms normally requires as long as 60 days. Making these vaccines immediately available to control serious outbreaks of disease and the improved distribution of storage points are both significant steps toward protecting the national health.

5. A complete inventory has been made of the supplies and equipment in all medical stockpile depots and procedures have been established for disposing of all deteriorated or otherwise professionally unacceptable stock.

The medical stockpile program has now been in operation for over 12 years and large quantities of stored materials are at or near this age. Where it has been economically feasible and where accountability systems have been practicable, the rotation of short shelf-life items has been an integral part of stockpiling practices to avoid losses through deterioration. Every effort has been expended to disperse, improve the quality, and enhance the utility of stockpiled materials so as to maintain a state of readiness to cope with any major health emergency.

### EMERGENCY HOSPITAL TRAINING

A nuclear weapon attack on this country could produce the most colossal medical workload in the recorded history of man. For this reason, the emergency health activity of the Public Health Service has placed high priority on the practical supplementation of hospital facilities. This includes both the furnishing of critical supplies and the providing of an aggressive system for training those individuals in leadership and support positions. The continuity

of essential hospital care services is considered to be basic for survival, and only in this way can maximum hospital utilization effectiveness be achieved. The attainment of full community capability is a primary objective requiring strong motivation, practical guidance and specialized training. Steps have been taken to—

1. Publicly identify the existence and purpose of pre-positioned packaged emergency hospitals stored in the thousands of communities throughout the Nation.
2. Induce health and medical leaders in the various communities to maintain and update standby instructions for emergency utilization of these reserve hospital units.
3. Require proof as to the existence of usable operational plans, including a system for appropriate staffing.
4. Materially assist in training and test exercises involving the setting up and operation of the pre-positioned disaster hospitals. Such exercises identify operational problems, inform professional health manpower, and create a public awareness of the health protection features available to their community.

I am happy to report that these steps have been increasingly successful. In spite of the wide variation in public interest due to the ever-changing temper of the international situation, State and local training activities in emergency hospital utilization are almost universally at a higher level than ever previously experienced.

### NATURAL DISASTER

The daily mechanized mass movements of the population, the occupation of new land areas in suburbia creating high density population centers heretofore nonexistent, the vast expansion of industrial centers, the ever-increasing interstate and intercity shipments of dangerous materials, increased public gatherings for recreational and other purposes, and the devastating forces of nature have combined to provide the ingredients for major serious disasters. Large segments of the population can now be involved in a disaster which a few short years ago would have been much more limited in scope or might not have happened at all. It is quite logical, then, that the great and well organized machine for nuclear disaster management, in existence at all political levels, be put to use in natural disaster situations. Natural disasters serve as "built-in" proving grounds for testing and implementing emergency management plans, their implementation simultaneously offering alleviation to the population involved.

The emergency health activities of the Public Health Service, through application by its State and local counterparts, have played a vital role in natural disasters. The utilization of the PHS pre-positioned packaged disaster hospital has been an outstanding success. Its existence has not only served to strengthen the community emergency health organization, but it has provided actual relief of suffering and the saving of lives in major natural disasters. During the calendar year of 1964, the immediate release of stored hospitals for use by a population in distress has created a new and dynamic interest, not only of the general public, but also persons in positions of medical and emergency organizational leadership.

The implementation of emergency plans, especially those concerned with the activation of a pre-positioned hospital, proved to be most dramatic during Hurricane Hilda at Raceland, La., where 200 casualties were treated upon arrival from the tornado torn city of Larose. These Federal materials were authorized for use upon request from Raceland health and civil defense officials. The prearranged operating site was activated and hospital staff assigned from an evacuated hospital went to work. The western floods during the Christmas holidays of 1964 placed demands on 13 pre-positioned disaster hospitals in the area. The Alaska earthquake was also an example of the value of preparedness—the activation of emergency health service plans served to coordinate essential health functions.

### OTHER TRAINING ACTIVITIES

The Public Health Service is conducting emergency health training in other program areas:

1. A national informational program is in progress to familiarize the public with the need for medical self-helf and objectives of the program. The pro-

gram also aims to encourage various organizations to assist in the scheduling of courses and the provision of instructors. Filmed versions of the medical self-help lessons have been developed for use as adjuncts to the instructor's presentations.

2. A manual, "Austere Medical Care for Disaster" and a training course based on it have been developed for allied health workers and selected trained laymen. A similar manual is under preparation for physicians. In addition, manuals have been developed in cooperation with professional organizations outlining the role of dentists, veterinarians, and pharmacists in disaster. Also, studies are underway concerning the possibility of including training in the curricula of the schools for these professions.

3. Greater impetus is being given to training in emergency water and emergency sanitation programs. Training materials are now being developed to assist in achieving greater community preparedness in these areas.

REGIONAL AND STATE ASSIGNMENTS

The assignment of public health advisers to regional offices, in 48 of the 50 States, and Puerto Rico has proved to be an extremely effective means for providing guidance to States and communities in developing and improving emergency health preparedness. Training consultants assigned to each of the regional offices are assisting States in health mobilization training programs, and sizable increases in the scope and volume of training activities are already occurring.

BUDGET REQUEST FOR FISCAL YEAR 1966

The estimate of $20,380,000, of which $10 million is brought forward from 1965, provides $17,738,000 for the medical stockpile and $2,642,000 for emergency health training and community preparedness.

MEDICAL STOCKPILE

The $17,738,000 for the medical stockpile will provide $1 million for the replacement of all known deteriorated materials in the prepositioned emergency hospitals acquired in the years 1952 through 1957, to achieve a state of readiness at the community level. An amount of $9,764,000 will provide for the acquisition of new materials for supply additions for these hospitals to continue the program aimed toward providing them with a 30-day operational capability. An amount of $6,360,000, an increase of $368,000 over the 1965 level, will permit the inventory management activity to continue its operation and expand its functions, which include: Provision of on-site inspection of emergency hospitals; surveillance and maintenance of inventories; reprocessing of gamma globulin to make it immediately available for emergencies; accelerating quality control measures on items sensitive to deterioration; transportation of materials for rehabilitation; relocation of stocks to newly secured underground facilities; shipment of replenishment supplies to emergency hospitals that have been activated to cope with disasters; continuance and expansion of depot management activities, including the acquisition of new underground storage sites, reconditioning of equipment and rehabilitation of hospitals, and providing modern packaging techniques for the longer preservation of materials. An amount of $614,000, a program increase of $14,000 over the 1965 level, will provide for the continuation of and the expansion and strengthening of management activities that plan and direct the operation functions of the medical stockpile.

EMERGENCY HEALTH TRAINING AND COMMUNITY PREPAREDNESS

The request of $2,642,000 for emergency health training and community preparedness reflects an increase of $229,000 over the 1965 level. This increase will provide $42,000 to strengthen the activities of our regional and State assignees in the effective buildup of emergency health preparedness in each community and to provide local capability to meet disaster situations or other conditions of national emergency. An increase of $169,000 is requested for the further development of health mobilization training programs, materials, training aids, and for expansion of the medical self-help training progam. An increase of $17,000 will provide additional capability for the program management and technical services activity in the areas of program evaluation, planning and policy guidance. An increase of $1,000 is requested to cover higher costs being incurred by the Medical Education for National Defense program in providing

for the incorporation of disaster training in the curriculums of 92 medical schools throughout the country.

In conclusion, the Public Health Service is dedicated to the goal of attaining a highly efficient emergency health capability for the population of our Nation. Through the Emergency Health Activities program, which has proven operationally effective during past disaster situations, a mechanism has been established which enables communities to be self-sustaining and able to cope with the circumstances associated with any natural or nuclear disaster affecting the health and life of its people.

I will be pleased to answer any questions you may have.

MEDICAL STOCKPILE

Mr. DODGE. We feel we have made rather marked progress in the emergency health activities programs that are charged to the Public Health Service. We, as you know, have the responsibility for the national medical stockpile.

Mr. THOMAS. You have your hands full, too. It is a bothersome program.

Mr. DODGE. It is about a $200 million program, which we have and as you know—the pre-positioned hospital increment composes about one-half of the total value. We have been attempting to bring the materials from our depots to the community level. We believe, in the past, this has been one of the weaknesses of our program and to date, with current programs that are in being and proposed programs, we will soon have approximately $100 million worth of essential medical supplies at the community level. This is all part and parcel of the pre-positioned hospital program.

NATURAL DISASTER

One of our more notable developments in the Public Health Service activities has been our increased attention and assistance to the casualties and refugees associated with natural disasters. As you know, the calendar year 1964 was beset with many devastating disasters, especially the hurricanes and the floods, and we have found this to be one of the finest proving grounds for disaster preparedness. Within these programs we have attempted to offer our assistance wherever it is required in material and personnel. There have been some rather heroic uses made of our pre-positioned hospitals last year.

Mr. THOMAS. What services do you render?

Mr. DODGE. Primarily those of having the facility available for the people in the distressed area. This packaged disaster hospital which we have had many years has, in updated form, proven to be an excellent resource for ready materials.

Mr. THOMAS. In other words, you see the local community has the material. That is the service you are rendering to them?

Mr. DODGE. In most all cases.

Mr. THOMAS. Your job is to see that the material is made available to them.

Mr. DODGE. Good material in adequate quantities. In the Raceland area during Hurricane Hilda was one of the most dramatic uses of one of these units I have ever observed.

Mr. THOMAS. What shape was it in?

Mr. DODGE. It was in excellent shape with the exception of a few items.

Mr. THOMAS. Where was it stored?

Mr. DODGE. In their agricultural fairground area in Raceland, La.

Mr. THOMAS. It was available right there and in good shape?

Mr. DODGE. In good shape, yes.

Mr. THOMAS. How long had it been in storage?

Mr. DODGE. That hospital had been there for about 6 or 7 years, or more.

Mr. THOMAS. That is remarkable, is it not?

Mr. DODGE. We have a continuing surveillance program that keeps these things up to date.

Mr. SHIPLEY. Mr. Chairman?

Mr. GIAIMO. Mr. Shipley.

INSPECTIONS

Mr. SHIPLEY. Are these the hospitals that are scattered all out through the country and stored in courthouses, schools, any public place you can put them?

Mr. DODGE. Yes, sir. These are 200-bed fully stocked hospitals that are part of the stockpile program.

Mr. SHIPLEY. How often do you run a check on the drugs and the medical supplies that you have there? I understand they furnish Frigidaires to put certain items in.

Mr. DODGE. We have a very sophisticated quality program that covers every item that is apt to deteriorate, and we make annual inspections of these hospital sites—and there are over 2,000 sites now—and attempt, wherever there is funding available, to replace the items as we make inspections and have programed them into our future and continuing programing to keep them in a state of readiness.

Mr. SHIPLEY. Who is responsible for making the checks on the State level?

Mr. DODGE. The primary responsible agent charged by us is the General Services Administration, and we have our system of depots. They have depot teams that go out and inspect these hospitals. However, there is a local custodian, in all cases, in immediate charge of the hospital as far as surveillance to assure that the storage is adequate and that nothing is wrong with the materials. However, he is not a quality control man.

Mr. SHIPLEY. I am interested in the drugs and medical supplies that would deteriorate. Is that done annually?

Mr. DODGE. That is done on a continuing basis, and as it becomes apparent that something is questionable we withdraw it from these hospital sites and bring it back to the depot for further test and salvage, if possible. In many cases, through the Food and Drug Administration, the Bureau of Standards, and other laboratories, we can extend the life of these things several years. This has occurred.

Mr. SHIPLEY. Thank you very much.

Mr. GIAIMO. Proceed.

TRAINING

Mr. DODGE. We are attempting to enlarge our scope of training for the health and medical personnel at the State and community level. We have been quite successful, and by the end of this year we will have some 20,000 health and medical and allied personnel trained and

some 220 exercises involving the pre-positioned emergency hospital, and other exercises that involve disaster management activities at the State and community level.

The medical self-help program, is administered by the Public Health Service. This is a training program, as you know, to offer to the citizens an opportunity to receive training to care for themselves and their neighbors in case the services of a physician are not available—the true disaster type of training course. We have thus far officially recorded over a million trainees in this area since 1963. This is one of our outstanding successes. It seems to strike a note with the average citizen—this is something he wants to get into. It teaches basic sanitation, nursing care, treatment of fractures, shock, emergency childbirth, and other elements involving shelter, shelter living, and fallout problems, and the dangers inherent in fallout.

RELATIONSHIP WITH PROFESSIONAL MEDICAL ASSOCIATIONS

We have, through the last several years and of more recent date, established excellent working relationships with the American Medical Association, the American Pharmaceutical Association, the American Dental Association, the American Nurses Association, and others. We found that this diversification in getting into the natural disaster business, as a training ground as well as the actual humanitarian aspects of the program, has given rise to new interests in the medical profession. Actually, they had questioned for a number of years why we could not aid and assist the community in natural disaster problems as long as we had material there that could be released and used under emergency conditions. This seems to have stimulated interest in preparedness planning in the medical bodies and has cemented our relationships with these associations very closely.

We have also within our budget request here asked for funds that would bring these older hopsitals up to date—you see, this hospital program was initiated back in 1953 or thereabouts.

TRAINING ACTIVITIES

Mr. THOMAS. What do you plan to spend on the training program in 1966?

Mr. DODGE. The overall training program?

Mr. THOMAS. Yes.

Mr. DODGE. Our total emergency health and training preparedness is somewhat over $2.6 million.

Mr. THOMAS. You state here "Funds for the acquisition of training materials for the medical self-training program." That is for supplies. What is the other part of the program? Program management and technical service, about $663,000. Where do you get your $2 million?

We are not questioning your money. We just want to know the breakdown. Where is your training done—in Public Health Service hospitals?

Mr. DODGE. We have, of course, a staff within the division——

Mr. THOMAS. Where are you training them?

Mr. DODGE. Where are we training the individuals?

Mr. THOMAS. Yes.

Mr. DODGE. This is principally at the State and community level the last year or two.

Mr. THOMAS. In the form of lectures?

Mr. DODGE. These are in many forms. For example, the use of this package disaster hospital involves the actual setting up and running casualties through these hospitals in a regular and realistic manner. This was part of the training exercise.

Mr. SHIPLEY. Will the gentleman yield?

Mr. THOMAS. Yes.

Mr. SHIPLEY. You have not done this in all of your hospitals, have you?

Mr. DODGE. No, sir, but we are making an opportunity for the States, if they wish, to use any of the pre-positioned hospitals in their community.

OPERATION OF TRAINING PROGRAM

Mr. THOMAS. How is the program organized? We are not questioning the value of the program. But how do you have it organized? Where are you conducting it? Who is conducting it for you?

Mr. DODGE. Most of these tend to center about the State health departments, Mr. Thomas.

Mr. THOMAS. In the capital cities of the States, or what?

Mr. DODGE. It can be in any city. The capital cities are often used, but the State health department with their disaster planning bodies will organize training courses in any city with our assistance.

Mr. THOMAS. Who leads the discussion?

Mr. DODGE. Normally a panel of outstanding speakers is selected from within the State and from within the country.

Mr. THOMAS. How many did you train last year and how many do you intend to train this year? Where are you meeting? You set this out very vaguely and indefinitely here. We do not object to the training. We think it is grand.

Mr. DODGE. The medical self-help program is in practically every community in the country. This is a highly organized course.

Mr. THOMAS. Do you have some local doctor to conduct it? Where do they meet?

Mr. DODGE. Normally there are usually outstanding citizens in every community, and they normally will be the ones that we select to be the sparkplug for the medical self-help program.

Mr. THOMAS. Would that be a doctor or a trained nurse?

Mr. DODGE. In some cases. Most of the time it tends to be teachers within the school system that usually volunteer, people that are qualified to teach, and they will organize classes, and the promotional materials are extended through the newspapers, radio, and television to stimulate student participation, and classes are set up.

Mr. THOMAS. What States do you have these training programs in? Do you have any information on that?

Mr. DODGE. We have, of course, a State breakdown with us; we can give it to you for the record.

Mr. THOMAS. Your information in your private budget does not do the committee any good. Unless you put them in our budget you are woefully weak here.

Mr. DODGE. We have a State-by-State breakdown, if you would like to have it for the record.

Mr. THOMAS. Read some of it. What do you have in the big State of Illinois now?

Mr. DODGE. Illinois is a very aggressive State in this particular training program of medical self-help. From March, 1963 to January of 1965 Illinois gave some 772 courses within the various cities of the State, training some 27,000.

Mr. THOMAS. How long are the courses?

Mr. DODGE. About 16 hours each, covering some 11 basic subjects.

Mr. THOMAS. Mr. Shipley is a high-ranking Member from Illinois and knows the State like he knows his own community. Give him some details. How many people did you train last year in the State of Illinois?

Mr. DODGE. 27,937 officially took the course in medical self-help.

Mr. THOMAS. Are they State employees, Federal employees, or good old John Public generally?

Mr. DODGE. It actually gets into industrial groups——

Mr. THOMAS. Who is in charge of the program for you?

Mr. DODGE. At the headquarters level?

Mr. THOMAS. Yes.

Mr. DODGE. Dr. Frank Reider.

Mr. THOMAS. Is he here?

Mr. DODGE. No, sir.

Mr. THOMAS. Why is he not here?

Mr. DODGE. He is preparing to retire, and I think he was packing his goods when we left the office.

Mr. THOMAS. That does not help the committee, does it?

Mr. DODGE. We could probably get him over here if you would like to see him.

Mr. THOMAS. We ought to have somebody who knows something about the program. We think it is quite valuable, but you have not put your best foot forward by any means. The way things stand, the committee might be inclined to delete the whole item.

Dr. PRICE. Perhaps I could say something about the whole training program, although I am not familiar with the State of Illinois.

Mr. THOMAS. Pick out any State you want.

Dr. PRICE. The customary pattern is for us to work through a representative assigned to the State health department in the development of plans through the local health agencies, and in cooperation with the local medical societies or local hospital association, and through community leaders, such as Mr. Dodge has mentioned, to organize the training program at the local level, which in the case of this medical self-help training is oriented around a packaged outfit of training materials.

ITEMS OF EXPENSE

Mr. THOMAS. What fees do you pay? Who gets the fees? I understand half of your money here is for supplies and materials. What do you do with the rest of the money? Do you give any to the local people? Do you pay a fee for lecturing, or anything like that?

Mr. DODGE. This is all donated services.

Mr. THOMAS. You spend the money on travel and other objects.

Mr. DODGE. The primary cost factors, besides the kits themselves, include the projectors and highly specialized——

Mr. THOMAS. Films?

Mr. DODGE. Filmstrips, instructor material, as a self-contained package, and this material is renewable and refillable at no cost to the community.

Mr. THOMAS. Where you get a local community to furnish its own program, more or less, and pay for it, it certainly is going to have some local interest, is it not?

Mr. DODGE. This is the way it works, sir.

Mr. SHIPLEY. Will the chairman yield?

Mr. THOMAS. Yes.

NATURE OF TRAINING

Mr. SHIPLEY. The question I have on the training, I am sure it must be necessary, but in case that you did have a disaster where you did break out these facilities, is it not true the medical society would move in without any training, without any hesitation, to supervise all of the medical facilities made available? What do you train the people in—in setting up the hospital? In first aid? Or how far do you go?

Mr. DODGE. We obviously do not teach the professionals their professional business. It is the organizational aspects of disaster management.

Mr. SHIPLEY. That is what I want to know. I do not know how the doctors feel on it, but I would think the doctors would welcome the opportunity to come out and take over the whole facility. The organization you need would be to get the hospital out and get it set up.

Mr. THOMAS. He mentioned Carla, and I happened to go through some areas hard hit by Carla. They had tents set up and they had a dozen doctors there inoculating everybody they could get their hands on. The local doctors were doing it. They must have had 15 or 20 Red Cross ladies there. I assume that some of them were trained nurses. But the local doctors were doing this. I assume they were working without a fee and all you did was furnish the serum.

Dr. PRICE. The problem in training here, Mr. Chairman, is when you are confronted with a hospital and all the equipment in boxes whose contents the local people have never seen. This is just an unknown thing stuck in a warehouse somewhere. There needs to be training so that they know what is there, how it can be broken out and put together to turn it into a usable hospital.

Mr. SHIPLEY. This is the point I was making. Actually, what you are training them for is to pull the equipment out and make it usable for the experts to come in and use, the nurses, the Red Cross, the doctors, and so forth.

Mr. GIAIMO. Do you need a training program to do that?

Dr. PRICE. This is a rather complicated matter.

Mr. GIAIMO. Why? That is what we would like to know.

Dr. PRICE. Simply because the people who are going to be doing the manual part of putting one of these hospitals together, setting it up and making it usable by the doctors and nurses are going to have to do this at a time when medical personnel, the doctors and nurses, are busy taking care of injured and sick people. Consequently, one has to prepare people who have no professional background in hospital or medical care and know nothing at all about the equipment of a hospi-

tal. They do not even know the names of the things that the boxes contain or what they are used for. They have to be given some basic understanding of what the materials are, how they fit together, how they are organized, where they should be located in the hospital assembly, so that this can be going on by the broker, the filling station operator, or whoever it is that is the volunteer in the situation while the medical professional personnel are devoting themselves to their professional jobs.

Mr. SHIPLEY. I can understand this, of course, because, if you have to furnish your own emergency power, someone has to move the power station in and know how to set it up and operate it. In Illinois I think you said you trained 27,000. Is that right?

Mr. DODGE. This is in the medical self-help area, training people to care for themselves so they will not be hospital patients.

Mr. SHIPLEY. And this is separate?

Mr. DODGE. Yes.

Mr. SHIPLEY. What does this encompass?

Mr. DODGE. This is a course devised very carefully so that the individual, the average man on the street, could visualize treatment procedures that were within his capacity to take care of but not substitute for a physician in the true sense. Within the total scope of the training course, we find that the shelter environment, the living within shelter environment and fallout problems are an essential part of this course. This is followed through by basic sanitation, what to do with the waste within the environment you are living in at that time, how do you take care of an elderly person, for example, nursing care services. If someone is injured, what do you do to treat shock. How to take care of a broken arm, how you splint a fracture.

In other words, it is an endeavor to make the individual citizen reasonably self-sustaining during this period when a physician just would not be available, and consequently taking a potential medical care load from normal channels by this method.

We have made a tremendous effort in this last year to produce other training materials that would make this medical self-help much more palatable. We have a series now of professional films that are shown for each course. They are done professionally and are very realistic. The types of injuries or circumstances are portrayed in sound films, followed by an instructor giving a demonstration. Emergency childbirth itself is a very practical thing to know about in case you have a mother who finds she is going to give birth to a child at an awkard time. It has been received very well, this program, and tremendous momentum is getting into it. Some school systems of the country are requiring the course for the students. We are going to the heads of education in the States, and we are finding this thing picking up more and more momentum all the time. It is a popular program.

### EMERGENCY HOSPITAL PROGRAM

Mr. SHIPLEY. The first of your emergency hospitals went out in 1950, I believe, or thereabouts. Are they up to date?

Mr. DODGE. The very old ones, the first issue, were our 1953 series and they have been relegated to training units and mobile training units. Most of these have been brought in now for rehabilitation be-

cause they were pretty tired after they had several years of training activities.

The other units, the ones from 1954 through 1957, which constitute some 1,800 200-bed hospitals, have been brought up to date quality controlwise, and we have a system now to add supply additions to older units to beef up the supply capacity.

To bring this into context, the older units were 3- or 4-day type of hospital units and had expendable materials that would last about 3 or 4 days under maximum loads. Stockpile depots that would be, say, 200 or 300 miles away were to supply additional materials, on call, and this was the old original atomic bomb concept. Having matured and gotten into the hydrogen nuclear concept, the Public Health Service placed these materials with these hospitals before the fact rather than after the fact to bring them up to a full 30-day independent operation.

What has happened in the interim, we have secured 750 of the, what we call the 1962 model, which is actually the current model, with a 30-day supply intact. These are about 45,000 units that are self-sustaining medically at least 30 days under full loading. That leaves the older hospitals with 3 or 4 days unless we put some supplies with them. So we started a supply addition program, and three of these supply additions have been shipped or will be ready to be shipped in the very near future.

Mr. SHIPLEY. Off the record.

(Discussion off the record.)

Mr. GIAIMO. Would you like to proceed with your statement, Mr. Dodge?

Mr. DODGE. I have covered the main or essential points of our proposed program for the coming year. I would like to reemphasize that we are becoming increasingly concerned about the natural disaster contingencies that are possible within this country. With all of these intercity and intracity shipments of inflammables and explosives, and large gatherings of people at recreational areas and in new apartment areas, the forces of nature now that seem to be upon us tend to affect more people than ever before, because many years ago there just were not many people around. We feel we are getting good results in working out a dual planning procedure.

In other words, the natural disaster concept is a built-in proving ground or training ground for nuclear or allout disaster.

### DISASTER TRAINING PROGRAMS AT THE COLLEGE LEVEL

We have, within our training program, worked out a rather fascinating trial program with veterinarian, dental, and pharmacy schools. You may have heard of the medical education for national defense program. It is in the budget proposal. Thus far, other than medical schools, the allied schools do not have funding for this typs of training.

Mr. GIAIMO. What are the other allied schools?

Mr. DODGE. Like the dentists, veterinarians, pharmacists, and nurses, for example. These funds in this program have been purely for medical schools. We have felt that the other allied medical people should have an opportunity to have within the curriculum of their school some disaster preparedness activities.

Mr. GIAIMO. How are you coming along with this? Have you been discussing this with the schools and are they willing to do this? Is there a reluctance on their part to give this much emphasis? Tell us about the program.

Mr. DODGE. We have actually had requests in most cases to offer assistance to these other schools to establish a curriculum concept that would be dealing with disaster activities in terms of the discipline concerned. In other words, the dentist or pharmacist or nurse or veterinarian. We have at present small sums on small contracts with six colleges.

Mr. GIAIMO. Is that 6 out of the 90 colleges you plan to get started on the program this year?

Mr. DODGE. The 90 colleges referred to are medical schools.

Mr. GIAIMO. Have they already started the program?

Mr. DODGE. Yes, sir; 100 percent. They have, for many years.

Mr. GIAIMO. And the six colleges are?

Mr. DODGE. These six are really a prototype project of the Division of Health Mobilization within the Public Health Service, making studies within the colleges; veterinarian schools and pharmacy and dental schools, as to how far they can go in incorporating disaster preparedness and mass casualty care within their on-going curriculum. In most cases, as you know, the physician or dentist tends to think singularly of one patient at the time. This is the normal physician training procedure; this type of training would incorporate the mass care aspects.

Say you had 500 patients instead of just 1. What would you do? What are the professional prerogatives and the care procedures involved for dentists with respect to overall emergency medical care? The pharmacist, how far can he go and what should he do? Shall he stay within the realm of what he is basically trained to do or should he also expand those functions within his normal daily routine so he can provide a maximum benefit?

In other words, a pharmacist, for example, may be a corner pharmacist but also may be an excellent medical supply manager for a whole city. This type of thing is the type of material that would be getting into the curriculum.

In the case of a nurse, how far should she go in applied medical care? And the veterinarian who normally treats animals, how far should he go in treating humans? And in all of this getting the blessing of the American Medical Association as a concerted effort for disaster management.

I can proceed with some of the other elements of our program, if you wish.

Mr. GIAIMO. Are you speaking of training now or would you like to go to the stockpile portion of it and tell us what your problems are, what you are asking for, and why?

### QUALITY CONTROL ASPECTS OF THE MEDICAL STOCKPILE

Mr. DODGE. Yes, sir, I would like to go to the medical stockpile program at this time.

We acquired officially the total management of the medical stockpile back in late 1960. Actually, the Executive order came out in 1961, about August. Officially this assigned the medical stockpile

program to the Department and redelegated to the Public Health Service for the actual management activities.

We have two programs that run simultaneously in the medical stockpile program. Our priority No. 1 is to get materials out to the community level where they belong. On the pre-positioning of emergency hospitals, of which we have spoken several times this morning, it is our best device to place materials that are functioning and operationally balanced to carry out the emergency medical care function.

As you gather materials, you get into problems of quality control, very real problems. As you store materials, regardless of the type of material, there is always some deterioration going on. This material, in some cases, is a much as 12 years old. The Public Health Service has established the policy that only class A materials will be made available to citizens in distress. Consequently, we have been carrying out a real heavy quality control program.

Mr. GIAIMO. By quality control, are we speaking of the replacement of deteriorated materials?

Mr. DODGE. The total scope of quality control would be identification of the quality of material with eventual replacement with fresh materials.

Mr. GIAIMO. Tell us about some of the problems there.

Mr. DODGE. For example, take Dextran. Dextran is what we call a plasma volume expander. It is used in place of plasma and in some cases in place of blood. It is a very popular item because it does not require a lot of techniques in cross matching and grouping of blood. It can be given to people in shock and certain burn cases as an emergency item. It is a very popular item to have as an emergency standby commodity.

As you buy quantities that are comparable to a national requirement, you get into large volumes, many millions of bottles. It is not used that much in commercial channels but it is declared as an ideal disaster item. As it ages it precipitates out, the stoppers harden and as time goes on there is nothing to do but replace it. This is one example of one type of commodity where we must exercise quality control and replacement.

Rubber goods, anesthesia apparatus, for example, with rubber accordion breathing tubes and rubber face masks, those can slowly harden and lose their flexibility and are no longer usable. Also rubber gloves. We have also found that some of the antibiotics which are normally on a 5-year life schedule, that the quality control program fortunately, in this case has extended the shelf-life, through the Food and Drug Administration tests. In fact, we are running on to 12 years of shelf-life on some of the original antibiotics. When you have over 2,000 pre-positioned hospitals out in the country, this constitutes a major workload. You must be constantly pulling items from the shelves and replacing with new items. Within our proposed budget here we have an immediate requirement for about $1 million for replacement of all known deteriorated items within these packaged disaster hospitals located at the community level. These are the older units that have been out since 1953 in some cases, and consequently we have been working year to year on this.

At present, about $1 million will put those back in shape again. So if a disaster would occur tomorrow, the physicians could use the material without hesitation.

Mr. JONAS. Would the chairman yield?

Mr. GIAIMO. Yes.

TESTING PROCEDURES

Mr. JONAS. Have you tested the material in storage in all of the 2,000 hospitals?

Mr. DODGE. Yes, sir.

Mr. JONAS. How recently?

Mr. DODGE. This is very recent. In fact, it is on an annual recurring basis.

Mr. JONAS. You mean you do not look at all 2,000 every year?

Mr. DODGE. I think the full cycle of actual physical inventory takes about 3 years. We have 22 teams that are in constant travel status from our depot system that are inspecting these hospitals on a regular basis.

Mr. JONAS. How do you test a bottle of medicine?

Mr. DODGE. Normally, if there are large quantities involved, you will sample out within a lot. In other words, a manufacturer's lot will have a number on it and within that you will pull a sample lot that will be representative of the total. Then, through contract with the Food and Drug Administration, for example, they will run through a special assay to identify its potency and safety.

Mr. JONAS. You mean you don't have that for the individual 2,000 hospitals?

Mr. DODGE. Not usually on an individual self-contained unit of medication basis.

Mr. JONAS. I thought you had these medicines wrapped up with the hospital.

Mr. DODGE. There are, sir. At our depot counterparts, we have 18 medical supply depots, we indentify the type of item that is most probable to be subject to deterioration and then by sampling you can identify if there is actually, in fact, deterioration.

Mr. JONAS. You mean you sample at the depot? You don't go out and take a sample from the hospital?

Mr. DODGE. The samples normally are pulled from the hospital on regular inspection team visits.

Mr. JONAS. This is not quite clear. Suppose a hospital has one bottle of a particular medicine. You take that out and open it and sample it and you have a lost bottle. You cannot pour a quantity of medicine back into the bottle and stopper it back up?

Mr. DODGE. That is right.

Mr. JONAS. How do you determine whether the medicine has deteriorated or not?

Mr. DODGE. We actually have a total of 2,680 of these hospitals, and say each has 1 bottle. The depot team would normally pick up the 2,680 bottles and from that we would draw a sample. In that way you do not destroy your whole batch by sampling procedure.

Mr. JONAS. Then you have to go back to all your 2,680 locations and replace the bottles?

Mr. DODGE. Yes, sir.

If the material is questioned we would rather the citizens get first class medication.

Mr. JONAS. I am trying to decide whether this is really effective or not and whether we can be sure they are getting first-class medication. I do not see how you can go around 2,600 separate locations and take out all of the stuff and test it.

Mr. DODGE. The art of quality control, through many years, has become quite sophisticated and statistically you can derive certain quality control projections.

Mr. JONAS. You are telling the committee that $1 million will upgrade all of the supplies in the hospitals?

Mr. DODGE. Yes, sir; currently known deteriorated items.

Mr. JONAS. Thank you.

EMERGENCY HOSPITAL PROGRAM GOALS

Mr. GIAIMO. Mr. Dodge, let us discuss this stockpile and the hospital problem a little more. You are not asking for any new hospital beds in this budget, are you?

Mr. DODGE. No, sir.

Mr. GIAIMO. What is the status of the beds on hand that you have for an emergency? Your goal is 1,900,000 beds?

Mr. DODGE. We have about 536,000 beds in these 2,680 hospitals, each composing a 200-bed unit.

Mr. GIAIMO. What are your prospects or plans for getting up to the desired goal?

Mr. DODGE. We would hope to eventually get to the desired goal of 1.9 million beds. Right at present within the ceiling, we would like to have as priority 1, an active program to bring the current hospitals right up to date and a state of readiness. Besides that $1 million there is a $9.7 million request for additional materials to go with these older units.

Mr. GIAIMO. This is to bring the capability of these other units up to a 30-day capability?

Mr. DODGE. Yes, sir.

Mr. GIAIMO. Will you address yourself to that and make a record on that for us, please?

Mr. DODGE. Within our total program, as I mentioned earlier, we are attempting to bring all these older hospitals up to date.

Mr. GIAIMO. By "up to date," you mean to increase their capability to a full 30-day operating capability?

Mr. DODGE. Yes, sir. Supply addition No. 1 has been in readiness now for about a year. We have, I think, over 50 percent of the prepositioned hospitals with supply addition No. 1. That one was valued at about $10.9 million which we drew from our existing depot stocks. We did not spend money for this. We have then, supply addition No. 2, which is primarily an updating and a sophistication of laboratory services and some substantial parts of the blood bank and donor equipment. That was about $2,184,000. No. 3 is almost ready to go.

We have gotten most of the procurement done during this fiscal year and are drawing some stocks from bulk for a grand total value of about $14 million.

Supply addition No. 3 will be ready for shipment, I believe, by about June or July of this year. Supply addition No. 4 is the one that is in the proposed budget.

Mr. GIAIMO. $9,700,000?

Mr. DODGE. Yes, sir.

Mr. GIAIMO. What will that accomplish?

Mr. DODGE. That will bring in extra materials that will tend to approach this total 30-day requirement to wind up the entire program, which will take another $6 million which would be proposed later. About an additional $6,636,000 would wind up the entire resupply program.

Mr. GIAIMO. By "winding up," you mean it would bring them up to a full 30-day capability?

Mr. DODGE. Yes, sir, bring the older units up with the modern version of the hospital.

Mr. GIAIMO. How many beds, half a million or a goal of 1,900,000?

Mr. DODGE. Just for the 536,000.

Mr. GIAIMO. Do you have any estimate on what it would cost to bring them up to the 1.9 million at the present time?

Mr. DODGE. Yes. If we had the total cost on the completion—we have now about 536,000 beds—it would be close to $300 million more to reach 1.9 million beds.

Mr. JONAS. Would the chairman yield?

Mr. GIAIMO. Yes.

Mr. JONAS. Do you think it is really necessary to provide these hospital beds?

Mr. DODGE. Yes, sir.

Mr. JONAS. Your statement indicates and the justifications show that with the 2,600 hospitals and 536,000 beds you could only take care of a minor portion of the population?

Mr. DODGE. Yes, sir.

Mr. JONAS. If it is so important, why didn't you ask for more hospital beds this year?

Mr. DODGE. Within the ceiling permitted, we placed a priority on——

Mr. JONAS. What kind of ceiling? Who gave you a ceiling?

Mr. DODGE. The Bureau of the Budget, sir.

Mr. JONAS. Did you ask the Bureau of the Budget for more beds, more hospitals?

Mr. DODGE. We asked for 1,000. I am trying to review the history of this. Our original request went through for 1,000 new hospitals in the formulation of the budget. The President's budget removed this.

Mr. JONAS. Gave you none?

Mr. DODGE. Gave us none. The replacement——

Mr. JONAS. I cannot quite follow the logic of that. If this is a program that is necessary or considered to be so, how can you just stop it in the middle?

Mr. DODGE. I wish I could give you an answer, sir.

LOCATION OF EMERGENCY HOSPITALS

Mr. JONAS. You used to furnish us with a list showing where these hospitals are. I notice it is not in the justification this year.

Mr. DODGE. We have a brand new one, sir, because of the new program. It is quite a bundle.

Mr. GIAIMO. How many hospitals are there?

Mr. DODGE. 2,680 total.

Mr. JONAS. Couldn't you give us a breakdown on how many per state, not listing the individual locations?

Mr. GIAIMO. Can you give us a brief summary which would show the number in each State and the average number of beds in each? Two hundred?

Mr. DODGE. There are 200 beds in each unit, sir. We can give you a State-by-State listing of the number of hospitals for the record.

Mr. GIAIMO. Without objection, supply that for the record.

(The information supplied follows:)

EMERGENCY HEALTH ACTIVITIES

*Packaged disaster hospitals, by States (as of Mar. 12, 1965)*

| State: | *Number* | State—Continued: | *Number* |
|---|---|---|---|
| Alabama | 50 | Nebraska | 18 |
| Alaska | 14 | Nevada | 19 |
| Arizona | 15 | New Hampshire | 8 |
| Arkansas | 17 | New Jersey | 95 |
| California | 162 | New Mexico | 14 |
| Colorado | 48 | New York | 62 |
| Connecticut | 35 | North Carolina | 50 |
| Delaware | 6 | North Dakota | 12 |
| District of Columbia | 1 | Ohio | 118 |
| Florida | 56 | Oklahoma | 22 |
| Georgia | 48 | Oregon | 35 |
| Hawaii | 11 | Pennsylvania | 170 |
| Idaho | 10 | Puerto Rico | 12 |
| Illinois | 59 | Rhode Island | 14 |
| Indiana | 32 | South Carolina | 32 |
| Iowa | 22 | South Dakota | 11 |
| Kansas | 19 | Tennessee | 62 |
| Kentucky | 41 | Texas | 104 |
| Louisiana | 45 | Utah | 17 |
| Maine | 21 | Vermont | 13 |
| Maryland | 35 | Virgin Islands | 2 |
| Massachusetts | 64 | Virginia | 44 |
| Michigan | 79 | Washington | 37 |
| Minnesota | 58 | West Virginia | 13 |
| Mississippi | 36 | Wisconsin | 60 |
| Missouri | 71 | Wyoming | 11 |
| Montana | 11 | | |
| | | Total | 2,121 |

NOTE.—In addition, 35 hospitals are presently in depots for rehabilitation and 524 are in depots awaiting pre-positioning in communities.

MEDICAL STOCKPILE DEPOT SYSTEM

Mr. GIAIMO. We have covered the number of hospitals. What about the number of warehouses?

Mr. DODGE. We have 18 depots with over $100 million total inventory. The hospital increment plus the depot amounts to $200 million.

Mr. GIAIMO. Can you give us a list of the depots and where they are located?

Mr. DODGE. I will supply that.
(The information supplied follows:)

*Medical stockpile depot system (as of Feb. 28, 1965)*

| Operating agency and depot location | Government owned | | Commercial lease | Dollar value of stocks |
|---|---|---|---|---|
| | Rent free | Reimbursable | | |
| General Services Administration: | | | | |
| Bastrop, Tex | X | | | $6,598,394 |
| Boyers, Pa | | | X | 13,288,740 |
| Carterville, Ill | | X | | 2,826,468 |
| Clearfield, Utah | | X | | 8,784,953 |
| Gilbertville, Mass | | | X | 3,822,507 |
| Hampton, Iowa | | | X | 3,785,810 |
| Jeffersonville, Ind | X | | | 8,188,061 |
| Mira Loma, Calif | | X | | 4,691,489 |
| Neosho, Mo | | | X | 10,570,891 |
| Prairie, Miss | X | | | 6,801,765 |
| Romulus, N.Y | X | | | 11,289,042 |
| Seneca, Ill | X | | | 7,548,608 |
| Shelby, Ohio | X | | | 13,539,284 |
| Spokane, Wash | X | | | 4,357,783 |
| Stockton, Calif | | X | | 9,752,581 |
| Wampum, Pa | | | X | 14,581,862 |
| Williamsburg, Va | | X | | 4,789,306 |
| Total, GSA depots | 7 | 5 | 5 | 135,217,544 |
| Veterans' Administration: Somerville, N.J | | X | | 13,609,115 |
| Value of remaining stocks including pre-positioned PDH's and stocks held at manufacturer's locations. | | | | 51,881,601 |
| Total, depots and inventory | 7 | 6 | 5 | 200,708,260 |

Mr. GIAIMO. What is the cost of all warehousing? Can you give us that figure?

Mr. DODGE. The cost would run in the warehousing area itself, without any of the other costs, about $4 million, or more specifically, 4,060,000. This is primarily through contract with the General Services Administration and a small contract with the Veterans' Administration at Somerville. There are some 300 or 400 people involved in this contract for services performed.

Mr. JONAS. Would you yield again?

Mr. GIAIMO. Yes, sir.

ALLOCATION OF EMERGENCY HOSPITALS

Mr. JONAS. I am a little surprised at this. I do not want to quarrel with you about how you make these allocations. I do not want to get into that field. I would not want that responsibility, but how do you account for 95 hospitals in New Jersey and only 62 in New York? That would not be logical based on population.

Mr. DODGE. New York was very aggressive in procurement back in the early fifties under the Federal contributions program of the old Federal Civil Defense Administration. They bought, I believe, 250 of these hospitals on their own, paying half. Consequently, they have within their own right these 200-bed hospitals designed somewhat differently but essentially the same type of commodity so——

Mr. JONAS. You took that into consideration?

Mr. DODGE. They have not asked for more. We have not in any way jeopardized their allocation by their own actions of buying hospitals. So far because of space requirements and what not, they seem to have not taken quite as many as they could.

Mr. GIAIMO. If there are no further questions, we will proceed to the justifications.

## SUMMARY OF BUDGET ESTIMATE

On page 3 of the justifications you are asking for $10,380,000 this year, and you have a carryover of $10 million from last year, is that correct?

Mr. DODGE. That carryover has been held in reserve and has been unavailable to us for 2 years. It is carried over.

Mr. GIAIMO. It is carried over and you are depending on it to carry out your program?

Mr. DODGE. We would like to depend on it; yes, sir. Otherwise we have no carryover into fiscal year 1966.

Mr. GIAIMO. We will put page 3 in the record.

(The page follows:)

*Amounts available for obligation*

| | 1965 | 1966 |
|---|---|---|
| Appropriation | $8,875,000 | $10,380,000 |
| Unobligated balance brought forward | +12,666,254 | +10,000,000 |
| Unobligated balance carried forward | −10,000,000 | |
| Total | 11,541,254 | 20,380,000 |

*Obligations by activity*

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Medical stockpile: | | | | | | |
| (a) Acquisition of stocks | | $2,536,254 | | $10,764,000 | | +$8,227,746 |
| (b) Inventory management | | 5,992,000 | | 6,360,000 | | +368,000 |
| (c) Stockpile management | 43 | 600,000 | 43 | 614,000 | | +14,000 |
| Emergency health training and community preparedness | 138 | 2,413,000 | 138 | 2,642,000 | | +229,000 |
| Total obligations | 181 | 11,541,254 | 181 | 20,380,000 | | +8,838,746 |

Mr. GIAIMO. What is the total number of positions in 1966? No increase in positions?

Mr. DODGE. No increase in positions.

Mr. GIAIMO. Put pages 4 and 8 in the record.

(The pages follow:)

*Obligations by object*

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| Total number of permanent positions | 181 | 181 | |
| Full-time equivalent of other positions | 3 | 3 | |
| Average number of all employees | 177 | 177 | |
| 11 Personnel compensation: | | | |
| Permanent positions | $1,781,000 | $1,782,000 | +$1,000 |
| Positions other than permanent | 27,000 | 27,000 | |
| Other personnel compensation | 9,000 | 9,000 | |
| Total personnel compensation | 1,817,000 | 1,818,000 | +1,000 |
| 12 Personnel benefits | 152,000 | 152,000 | |
| 21 Travel and transportation of persons | 211,000 | 238,000 | +27,000 |
| 22 Transportation of things | 939,000 | 927,000 | −12,000 |
| 23 Rent, communications, and utilities | 56,000 | 62,000 | +6,000 |
| 24 Printing and reproduction | 77,000 | 95,000 | +18,000 |
| 25 Other services | 42,000 | 58,000 | +16,000 |
| Services of other agencies | 5,414,000 | 5,947,000 | +533,000 |
| 26 Supplies and materials | 2,566,254 | 10,809,000 | +8,242,746 |
| 31 Equipment | 23,000 | 29,000 | +6,000 |
| 41 Grants, subsidies, and contributions | 244,000 | 245,000 | +1,000 |
| Total obligations by object | 11,541,254 | 20,380,000 | +8,838,746 |

INTRODUCTION

The emergency health activities of the Department of Health, Education, and Welfare are carried on by the Division of Health Mobilization of the Public Health Service. It is the primary objective of the Division to support the continuity of essential health services in the event of disaster. To accomplish this objective, health resources must be readily available and the population appropriately indoctrinated in the principles of disaster management. It therefore follows that it is the rsponsibility of the Federal Government to provide overall guidance in State and local emergency preparedness measures and to furnish substantive material resources designed to offset anticipated shortages of essential health supplies and equipment at the community level.

The following specific program areas are being implemented to attain maximum readiness for management of disaster situations:

1. The development of operational programs with respect to the strategic location, economic acquisition, and effective utilization of health supplies and equipment for use during an emergency;

2. The training of the individual to take care of his own health needs during emergency situations when the services of a physician are not available;

3. The establishment of techniques and procedures for the effective utilization of all disciplines of medical manpower;

4. The development of operational procedures for the coordinated utilization of all available health care facilities;

5. Through interagency coordination and the issuance of State and local guidance materials, establish preparedness procedures for the provision of safe water supplies during an emergency; and

6. The establishment of standby provisions for maintaining long-range health care services during the postattack period.

The continuity of health services becomes a fundamental responsibility of all echelons of government starting with the individual as the common denominator. It is within this context that the emergency health activities of the Public Health Service is predicated.

Mr. GIAIMO. There you have an increase of $8,242,746, which is for the purchase of supplies and materials.

Mr. DODGE. And based on the utilization——

Mr. GIAIMO. Of the carryover?

Mr. DODGE. Yes, sir.

## Medical Stockpile

Mr. Giaimo. Put page 9 in the record.

Mr. Giaimo. Here you are asking for $17,738,000, which is for compensation and other expenses. That includes, again, the carryover of unexpended funds?

Mr. Dodge. Yes, in all cases.

Mr. Giaimo. Then you have it broken down in the summary of activities.

(The page follows:)

*Medical stockpile*

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Personnel compensation and benefits | 43 | $403,000 | 43 | $403,000 | ---------- | ---------- |
| Other expenses | ---------- | 8,725,254 | ---------- | 17,335,000 | ---------- | +$8,609,746 |
| Total | 43 | 9,128,254 | 43 | 17,738,000 | ---------- | +8,609,746 |

*Summary by activity*

| Activity | 1965 estimate | 1966 estimate | Increase (+)or decrease (−) |
|---|---|---|---|
| A. Acquistion of stocks | $2,536,254 | $10,764,000 | +$8,227,746 |
| B. Inventory management | 5,992,000 | 6,360,000 | +368,000 |
| C. Stockpile management | 600,000 | 614,000 | +14,000 |
| Total | 9,128,254 | 17,738,000 | +8,609,746 |

The funds requested for this activity are for procurement, storage, distribution, stock surveillance and maintenance of medical supplies and equipment and for the expenses necessary for management of the medical stockpile activity.

In the management of the medical stockpile, the following concepts are stressed: (1) selection of storage facilities that afford the maximum physical protection characteristics to minimize deterioration from long term storage and destruction from enemy attack; (2) application of packaging and storage methods to minimize losses; (3) application of quality control measures including selective sampling, testing, and reporting; (4) inspection, surveillance and rehabilitation of stocks to assure usability at all times; and (5) liaison with and the provision of assistance to personnel in communities as to the maintenance of prepositioned medical stockpile materials.

Medical stockpile objectives are based on probable disaster situations as set forth by national policy and current concepts. Authoritative damage assessment information furnished by Federal agencies provides the planning factors and guidance required to establish realistic medical stockpile goals. The specific content of the medical stockpile as to types of materials and quantities is a product of professional and technical analysis of potential damages and destruction to be sustained by this country. This analysis is primarily concerned with the gross casualty producing elements of such damage and destruction and the concurrent losses of the very health resources required to provide essential health services.

Prudent distribution of medical stockpile materials serves to furnish an immediate source of lifesaving medical supplies for the communities throughout the Nation in the event of any disaster where such supplies would not otherwise be available at the time of greatest need. Because of the anticipated severe losses to the national hospital care capacity, due to damage and destruction, it is an important segment of the medical stockpile program to provide emergency general medical and surgical hospitals. These units are furnished in functional

packaged form for immediate assembly and utilization. Through careful selection of hospital supplies, equipment and essential expendable materials, these 200-bed packaged hospitals have been procured and distributed throughout the Nation. Based on the expected availability of medical manpower, the Nation can effectively use about 1.9 million beds furnished through the stockpiling of these packaged units and simultaneously provide services in all usable remaining permanent hospitals.

To date, 2,680 of these 200-bed emergency hospitals have been obtained for wide dispersal and prepositioning in communities. Presently these 2,680 units provide 536,000 beds for immediate utilization as an increment of an ultimate goal of 1.9 million beds.

ACQUISITION OF STOCKS

Mr. GIAIMO. With respect to acquisition of stocks, insert the material on pages 10, 11, and 12 in the record.

(The material follows:)

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| A. Acquisition of stocks | $2,536,254 | $10,764,000 | +$8,227,746 |

In 1965 an amount of $2,536,254 has been brought forward from 1964 to complete the authorized procurement program of replacing a portion of the existing deteriorated materials, and to complete the procurement of supply addition No. 3. The request for 1966 of $10,764,000, which includes an amount of $10 million brought forward from 1965, will provide for the procurement of supply addition No. 4 and additional stocks to replace deteriorated materials at the pre-positioned hospital level.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 1. Procurement of new hospitals | $0 | $0 | $0 |

The request for 1966 excludes additional funds for the procurement of new 200-bed emergency hospitals. The programs of replacing deteriorated material in existing hospitals at the local community level and increasing the operational capability of these hospitals to a 30-day supply of consumable supplies have been determined to be the foremost essential priority programs of the Public Health Service in attempting to achieve a complete state of readiness at the local community level.

During 1965, the program of pre-positioning 750 new emergency hospitals authorized in 1962, will be completed bringing the total number of emergency hospitals pre-positioned in local communities to 2,680. The new hospitals, valued at approximately $45,000 each, are designed in terms of current medical care concepts and will provide for at least a 30-day supply of consumable materials.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 2. Procurement for replacement of deteriorated material | $724,711 | $1,000,000 | +$275,289 |

During 1965, an amount of $724,711 will be utilized for the partial replacement of deteriorated material in pre-positioned emergency hospitals located at the community level. During 1966, an amount of $1 million which is brought forward from 1965, will be utilized for the replacement of all deteriorated materials known to exist in the packaged emergency hospitals to complete the program of

providing adequate and usable medical supplies for civilian needs in time of disaster at the community level.

Substantial quantities of reserve stocks consisting of antibiotics, biologicals, pharmaceuticals, blood grouping sera, intravenous injection material, textiles, rubber goods and other items subject to deterioration have been stored for periods of time up to 12 years without replacement. Through improved systems of quality control and expanded laboratory testing procedures, these stocks are being thoroughly evaluated as to professional acceptance and compliance with purity and safety standards. The results of this evaluation indicates that about $20 million would be required to bring depot reserve stocks up to standard in terms of the present state of storage circumstances. Because of the importance of essential materials being available at the community level, the replacement of deteriorated supplies contained in the pre-positioned emergency hospital is scheduled as priority No. 1. Replacement of depot reserve stocks will be scheduled at a later date.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 3. Procurement of supply additions to earlier model prepositioned hospitals | $1,811,543 | $9,764,000 | +$7,952,457 |

An amount of $1,811,543 will be utilized during 1965 to complete the procurement of supply addition No. 3 designed to increase the operational capability of the 1,930 existing prepositioned emergency hospitals from a 3-day to a 30-day supply of materials. The amount of material required for an estimated 30-day capability is based on the calculated needs for a full capacity hospital operation with voluminous patient loading characteristics that will occur in the early postattack period. The quantity of materials thereby afforded for use at the community level, plus any available remaining inventories, will best assure a continuity of essential medical care during a critical postattack period or natural disaster situation. This program is to be accomplished in planned phases at a total estimated cost of $43,543,000. Supply addition No. 1 was added by the withdrawals of materials, valued at $10,924,416, from existing depot stocks. Supply addition No. 2 was procured as new materials from 1962 funds at a cost of $2,184,297. Supply addition No. 3 will be completed during 1965 at a cost of approximately $14,034,356 of which $6,514,720 worth of materials was withdrawn from existing depot stocks.

An amount of $9,764,000 of which $9,000,000 is brought forward from 1965, is requested in 1966 for the procurement of supply addition No. 4 and will leave a remainder of $6,636,000 to be procured in completing the conversion of the 1,930 prepositioned emergency hospitals to a 30-day supply of consumable materials.

INVENTORY MANAGEMENT

Mr. GIAIMO. Inventory management on page 12. We will put those budget figures in the record.

(Page 12 follows:)

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| B. Inventory management | $5,992,000 | $6,360,000 | +$368,000 |
| 1. Maintenance and reworking of materials in depots and in manufacturer's custody | 100,000 | 300,000 | +200,000 |

During 1964, approximately 10 percent of the vaccines, sera, antibiotics and blood derivatives stored in bulk lots at manufacturers' sites were converted into packaged units for storage at pre-positioned sites and reserve depot stocks to make them immediately available for emergency situations. During 1965, an amount of $100,000 will be utilized for the storage, testing and rotation of the remaining bulk lots of vaccines, sera, antibiotics and blood derivatives.

The 1966 request of $300,000, an increase of $200,000 from the 1965 level, will provide for the reprocessing of gamma globulin into immune serum globulin to make it available as an essential back-up supply for the emergency hospitals. It is estimated that 500,000 grams of gamma globulin can be reprocessed at a cost of 40 cents per gram. The present stockpile of gamma globulin is in bulk powder form, a by-product of the 1959 program of fractionization of blood plasma into serum albumin and gamma globulin, and is stored at the contractor's facilities. Before the gamma globulin can be used for medical purposes, it must be reprocessed into immune serum globulin.

Mr. GIAIMO. You show an increase of $368,000, and your 1966 estimates are $6,360,000?

Mr. THOMAS. Isn't that too much to spend for inventory management? You are supporting 18 warehouses plus your big packaging center in New York. Your warehouses cost you almost $5 million a year. You have hospitals and supplies, about $210 million worth. You have a lot of hospitals all right. You have 2,680. You have about $45,000 tied up in each one of them but you are spending $4.9 million.

LOCATION OF HOSPITALS

What part of your 2,680 hospitals are in your 18 warehouses? You do not give us any detailed information in the justifications.

Mr. DODGE. Quite accurately, sir, there are 35 units in for rehabilitation which will be reissued back to the States. We have about 490 of the new model hospitals that were just released starting as of July 1, that are still being shipped out.

Mr. THOMAS. Out of your 2,680 hospitals how many are in the warehouses and how many scattered throughout the cities, counties, and so on? The budget does not quite give us that.

Mr. DODGE. As of March 12, we had a total of 524 in the depots. They are awaiting pre-positioning.

Mr. THOMAS. Where are they, though?

Mr. DODGE. They are located in practically all of the 18 depots. I think in 10 out of the 18 we have these hospital units.

Mr. THOMAS. You pre-position them at Somerville and then you ship them out to your 18? What do you do? You mean you assemble them there? Then you ship them out to the 18 depots. How many of the 2,680 hospitals are in the 18 depots? That is what you are paying storage on. You do not pay the cities and counties, do you?

Mr. DODGE. Somerville we are phasing out. It is no longer an assembly center.

Mr. THOMAS. Stay with the 18 depots. How much of your $5 million do you spend in your 18 warehouses?

Mr. DODGE. The $4,960,000 is for the total stockpile warehouse services program.

Mr. THOMAS. You have packaging, inspection, and warehousing. Wrap it up at slightly under $5 million?

Mr. DODGE. Yes, sir. Within the assembly of hospitals for shipment out to the communities, located at the depots, are approximately 524 hospital units.

Mr. THOMAS. Can you break down your 2,680 and tell where they are? How many in the local courthouses, city halls, and so forth?

Mr. DODGE. Yes, sir. We have for the record already established the number of hospitals located in each State. We have the full address list.

Mr. THOMAS. Can you summarize it right quick?

Mr. JONAS. 2,121.

Mr. DODGE. 2,121 are now in communities throughout the country.

Mr. JONAS. The balance in the depots?

Mr. DODGE. The balance are in the depots ready for shipment.

Mr. THOMAS. You do not pay any storage on the 2,121 in the cities and counties and towns, do you?

Mr. DODGE. No, sir. That is all locally supported.

AVAILABILITY OF PROCUREMENT FUNDS

Mr. THOMAS. You want $10 million here to reassemble, repackage, and refurbish. You are not going to buy any new hospitals. What troubles us is the status, quality, care that has been given to these hospitals back in the communities. I have been reading a few articles saying that the armed services and all of the hospitals are undergoing vast changes in quality and quantity and prepackaging of all hospitals. Digest what you have. I hope you do not buy any more. You do not want any new money but you have $10 million carryover and you are going to spend that $10 million. Should you spend it until you really know what you are doing?

Mr. JONAS. Mr. Chairman, I was going to ask him. I do not know whether he is going to spend it or not. It has been carried over for 3 years.

Mr. DODGE. It has not been made available to us since 1964.

Mr. JONAS. If that is going to be available, you might have an effect——

Mr. THOMAS. That is what he plans to spend because he does not ask for any new money. He is going to spend it, and you know it. That burns all of our pockets, that $10 million.

Mr. DODGE. If we had it, we would spend it. It is held in reserve by the Bureau of the Budget.

Mr. THOMAS. I hope that you discuss that and come to some conclusion whether you spend it or not. Maybe it might be well to wait another year and let these experts come up with an answer. The armed services tell me they are going to make a complete revisionary study of all the field hospitals, and you come in this classification.

Mr. DODGE. We work closely with them.

Mr. THOMAS. What does it look like? What are the changes advocated now against what you have?

Mr. DODGE. The Army unit is a highly sophisticated field hospital. That is probably their first improvement since the Civil War in the tentage and hospital environment.

Mr. THOMAS. I am glad you used that language. Yours is a dead wringer for it.

Mr. DODGE. We have first-class operating environment as part of the program. This hospital is set up in the existing building rather than using tentage. That is one of the basic differences.

Mr. THOMAS. That is bound to help.

Mr. DODGE. The $10 million is an attempt to——

Mr. THOMAS. Would it hurt anything to slow you down and not spend any money on that this year?

Mr. DODGE. It would hurt us.

Some of these pictures will show what happened in Hurricane Hilda. It was rather dramatic. There were 200 casualties in Hurricane Hilda. The only power in the whole community was the generator furnished by this hospital of ours.

Mr. THOMAS. I hope that you satisfy yourself and the committee on that point whether you ought to spend any money or wait another 12 months and see what happens. What part of your 2,700 hospitals are in your 18 warehouses and what part are in the hands of the local community?

Mr. DODGE. 2,121 are at the community level at present.

EMERGENCY HOSPITAL INSPECTION PROGRAM

Mr. THOMAS. Isn't it a pretty fair assumption they are in bad shape? Who is looking after them? Nobody? They are stored in the basement of a building.

Mr. DODGE. These are first-class units, Mr. Thomas, under constant surveillance now.

Mr. THOMAS. How do you know they are? A man passed by there and kicked one? Are they covered up or wrapped up or what? What inspection does Health, Education, and Welfare give them?

Mr. DODGE. They are given not less than an annual inspection.

Mr. THOMAS. Each one?

Mr. DODGE. Each one. Either by our State assignee or by our warehouse teams. We have 22 teams that make inspections from our depot system.

Mr. THOMAS. You are satisfied that they are in excellent condition?

Mr. DODGE. Yes, sir. We have most of the time photographic proof. They take pictures before and after. Total quality control is instituted at the time of these inspections so that fresh materials are brought in.

Mr. GIAIMO. We will proceed with the budget estimates.

Mr. JONAS. One further question?

Mr. GIAIMO. Yes.

HOSPITAL ASSEMBLY AND SHIPMENTS

Mr. JONAS. Why do you have a fourth of your hospitals in the depots? Are they for use in special emergency situations that develop? Are they in the process of being repaired or what?

Mr. DODGE. There are about 35 in for repair. The balance are being issued on almost a day-to-day basis. We started the issue of the last 750 new hospital units as of July 1, 1964.

Mr. JONAS. You mean they were just procured then?

Mr. DODGE. Just finished and assembled. It takes about 2 years for procurement and assembly.

Mr. JONAS. How many did you use in Alaska?

Mr. DODGE. There were two up there used.

Mr. JONAS. Is that all?

Mr. DODGE. We shipped up 13 since. So they have over half a million dollar's worth of new hospitals up there in first-class condition throughout the State.

Mr. JONAS. You did not ship the 13 for use in the specific emergency? That is just the increased capacity there?

Mr. DODGE. It was their fair and square share of the total allotment. By coincidence it would have been nice if they had been up there before the earthquake. Two were on site before the earthquake and used during the earthquake. The matter of timing was bad for the actual shipment date but the new units were not available until July.

## INVENTORY MANAGEMENT

Mr. GIAIMO. Then we will proceed with the budget estimates, page 12 of the justifications. "Inventory management," where you are asking for $6,350,000. That is an increase of $368,000 over last year. That is for the purchase of maintenance and reworking of materials in depots and in manufacturer's custody, $200,000 which is an increase of $35,000. Then you have quality control, transportation of materials, pre-positioning of supply additions, relocation of depot stocks, transshipment of stocks, depot management inspection, underground storage and packaging. That last item is the big one—$4,960,000. We will put those budget items in the record with just the items which show the breakdown of the expenditures.

(The material follows:)

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 2. Quality control | $165,000 | $200,000 | +$35,000 |

Quality control includes quality evaluation or control systems consisting of statistical sampling, inspection, examination and/or testing, and analysis to determine the condition of the medical supplies and suitability for issue in the event of any emergency. It also includes action to remove from stock and replace any quantity of an item determined to be unserviceable or unusable. An amount of $165,000 will be utilized in 1965 for the sampling and/or testing, surveillance, analysis and reporting of the condition of the inventories. An increase of $35,000 for 1966 will provide for increased surveillance, statistical sampling and reporting criteria due to the expansion in inventories and increases in the average shelf life of the existing materials.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 3. Transportation of materials | $917,000 | $900,000 | −$17,000 |

An amount of $917,000 will be utilized in 1965 for the relocation of above-ground depot stocks to new secured underground storage facilities and for transportation of equipment to and from service facilities for recalibration or rehabilitation and for transfers of materials between depots for packaging and assembly into functional units.

An amount of $900,000, a decrease of $17,000, is required in 1966 to provide for the following transportation activities:

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (a) Prepositioning of supply additions | 0 | $300,000 | +$300,000 |

An amount of $300,000 is requested for 1966 to transport 1,930 supply additions No. 4 to local communities at an approximate cost of $156 per unit.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (b) Relocation of depot stocks | $400,000 | $150,000 | −$250,000 |

During 1965 an amount of $400,000 will be utilized for the transportation of depot stocks from an estimated four or six existing above-ground storage facilities into two new secured underground facilities which will be acquired in 1965. Approximately 20,000 tons of stock will be moved into secured underground storage at an average cost of $20 per ton. During 1966 an amount of $150,000, a decrease of $250,000 from 1965, is requested to provide for the relocation of an additional two above-ground depots, an estimated 7,500 tons of stock at an average cost of $20 per ton, into two new secured underground storage facilities which will be acquired in 1966.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (c) Transshipment of stocks | $517,000 | $450,000 | −$67,000 |

An amount of $517,000 will be utilized in 1965 for the continuation of the program in the exchange of replacements, transportation of replenishment supplies to emergency hospitals that have been activated and its supplies consumed in disaster areas, transportation of medical equipment in need of servicing to repair depots for rehabilitation, and for the transportation of material from one depot to another in order to achieve a commodity balance within regions. The request for 1966 of $450,000, a decrease of $67,000 from 1965, will provide for a continuing transportation program in the exchange of replacements, servicing of equipment, assembly of supply addition units, transportation of stocks between depots to maintain a commodity balance and transportation of replenishment supplies consumed by prepositioned hospitals in disaster situations.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| 4. Depot management, inspection, underground storage, and packaging | $4,810,000 | $4,960,000 | +$150,000 |

During 1965 an amount of $4,810,000 will be utilized for: (1) Depot management and overhead operating expenses, such as costs for rentals and utilities (including previously acquired underground storage), materials handling, inventorying, property accounting, security guards, maintenance of facilities and grounds, shipping and receiving; (2) costs of new underground storage and operations; (3) on-site team inspections, inventorying and maintenance of existing pre-positioned emergency hospitals; (4) instores quality control, stock surveillance and testing of depot stocks and materials in pre-positioned hospitals; and (5) packaging and packing of materials for hospital assemblies and

for long-term preservation. The depot operations include the voluminous detailed activities of packing and line assembly of the case components of emergency hospitals and supply additions or replacements for pre-positioned hospitals and the complete rehabilitation of equipment in existing pre-positioned hospitals. At the present time, medical supplies and equipment are stored in 18 depots, the staffs of which also perform all the field maintenance services. Seventeen depots are operated by the General Services Administration and one by the Veterans' Administration.

An increase of $150,000 is requested for 1966 to provide for the following activities:

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (a) Depot management | $4,060,000 | $4,060,000 | 0 |

During 1965 an amount of $4,060,000 will provide for the depot management workload concerned with in-stores quality control, stock surveillance, sampling and testing, packaging capabilities and equipment rehabilitation activities at all depots operated by the General Services Administration and Veterans' Administration for the employment of technicians to operate at the depots and at pre-positioned hospital sites. Staff and facilities exist at 10 depots for quality control, 8 depots for packaging and 3 depots for equipment rehabilitation. The activities in quality control, stock surveillance, and rehabilitation must be increased in volume by reason of the general extension of the shelf-life of materials. The $4,060,000 will also provide for the increased costs of reconditioning equipment at depot service facilities, or by commercial contract. Tests and surveillance measures of medical equipment indicate the need for calibrations, renewal of hoses, renewal of valves, servicing of moving parts, refinishing and treating with preservatives and repackaging for longer term preservation.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (b) Inspection teams | $300,000 | $300,000 | 0 |

An amount of $300,000 for 1965 will provide for the continuation of annual on-site inventory, inspection, mechanical maintenance, exchange of replacements, storage site and storage methods evaluation, and limited reconditioning of equipment in each pre-positioned emergency hospital or other assembly. Twenty-two 3-man mobile teams are attached to depot staffs and directed in their activity by managers of GSA-operated depots. The site inspections are coordinated with State and local community program representatives. Assistance or training may be given to the local custodian of an emergency hospital, with respect to storage and physical security measures and to the purely physical characteristics of care and maintenance. Sites and storage facilities are inspected; all Federal property is inventoried and inspected for condition or state of preservation; generators, pumps and other nonmedical pieces of equipment are fully serviced, tested, and repaired. Medical equipment is serviced depending upon the developed technical staff capabilities within the inspection teams. Systematic written reporting, evaluation and followup for corrections are an essential part of the program. The State furnishes the storage facility and must make corrections as directed in the followup on the team's report and evaluation. Building safety and structural evaluation of the emergency hospital storage facility is furnished by the Public Buildings Service of the General Services Administration upon request.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (c) Rental of underground storage | $150,000 | $300,000 | +$150,000 |

During 1965, an amount of $150,000 will provide for an estimated halfyear's cost for two additional underground storage facilities, each of which will approximate 250,000 net square feet of storage space and will be acquired through competitive bid invitations at an estimated cost of 60 cents per square foot. These new underground storage facilities are being sought in the New England, mid-Atlantic and western geographic areas. Actual selection of the two underground storage sites will depend on the suitability of the sites available. Nearby existing aboveground depots will be moved into the new underground storage facilities.

Geological surveys and studies have indicated that there is an availability of about 500 million square feet of usable hard stone mines throughout the country. The advantages of constant temperature, easily controlled humidity, and dust-free, fireproof storage, found in hard stone mines have the effect of insuring longer life for materials stored under such climatic conditions. In addition the excellent natural security and the low maintenance and repair aspects make such facilities highly desirable for storage of critical materials. Substantial dollar savings by extension of the shelf life of medical stockpile materials through this technique is expectant and has been demonstrated by storage surveys performed by other agencies.

An increase of $150,000 is requested for 1966 to provide for the acquisition of two additional underground storage facilities at a full year's estimated cost of $300,000. These new underground sites will be sought in the southern and mountain geographic areas and nearby aboveground depots closed and their stocks moved underground.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| (d) Packaging and preservation of materials | $300,000 | $300,000 | 0 |

During 1965 an amount of $300,000 will be utilized for the repackaging of generators, pumps, and surgical equipment after being rehabilitated in service depots and for the packaging of materials for mixed cases in the unit assemblies which were purchased in previous years. Modern packaging materials are desirable inasmuch as new developments provide for longer term preservation of medical equipment and supplies against climatic conditions and more particularly against rodents and other pests.

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| C. Stockpile management | 43 | $600,000 | 43 | $614,000 | 0 | +$14,000 |

During 1965 an amount of $600,000 will be utilized for managing, directing, and planning the operations of the medical stockpile program. The capital investment of emergency medical supplies and equipment now approximates $210 million. This activity plans the programs, establishes policies, provides guidelines, and prescribes major work projects for the acquisition, storage and assembly, pre-positioning, surveillance, maintenance, preservation, security, disposition, and recording of material.

Operational procurement is directed by the Stockpile Management Branch through the Defense Medical Supply Center (Department of Defense) for medical items and through the General Services Administration for nonmedical items. Depot management and operations are performed under interagency agreements by the General Services Administration and the Veterans' Administration. As directed, sera, antitoxins, vaccines, and some antibiotics are stored, rotated, tested, and maintained by manufacturers, under contract. Through constant study, the amount of materials which is maintained by manufacturers

has been reduced substantially, which has resulted in a savings of approximately $100,000 per year.

Major programs have been initiated to provide for more stringent controls over the existing inventories. Data processing systems have been established to provide information on (*a*) the condition of medical supplies and equipment, (*b*) age of all materials, (*c*) shelf life of each item, (*d*) storage characteristics of each item, (*e*) number of items, and (*f*) dollar values. Further management objectives are being attained by physical inventories and inspection of the preposition emergency hospitals and reserve depot stocks.

An increase of $14,000 is requested for 1966 to provide for printing and reproduction, $1,000; and an amount of $13,000 for increases in data processing systems for control over the existing inventories.

## Emergency Health Training and Community Preparedness

Mr. Giaimo. On page 18, we will put in the summary of activities, emergency health training and community preparedness, which you have discussed at length with us.

(The page follows:)

*Emergency health training and community preparedness*

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| Personnel compensation and benefits: | | | | | | |
| Regional and State assignments | 67 | $720,000 | 67 | $721,000 | | +$1,000 |
| Training | 32 | 376,000 | 32 | 376,000 | | |
| Program management and technical services | 39 | 470,000 | 39 | 470,000 | | |
| Total personnel compensation and benefits | 138 | 1,566,000 | 138 | 1,567,000 | | +1,000 |
| Other expenses | | 847,000 | | 1,075,000 | | +228,000 |
| Total | 138 | 2,413,000 | 138 | 2,642,000 | | +229,000 |

***Summary by activity***

| Activity | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| A. Regional and State assignments | $834,000 | $876,000 | +$42,000 |
| B. Training | 689,000 | 858,000 | +169,000 |
| C. Program management and technical services | 646,000 | 663,000 | +17,000 |
| D. Medical education for national defense | 224,000 | 245,000 | +1,000 |
| Total | 2,413,000 | 2,642,000 | +229,000 |

Mr. Giaimo. The total is $2,642,000. Of that, $1,567,000 is for personnel compensation and benefits, is that correct?

Mr. Dodge. Yes, sir.

Mr. Giaimo. Other expenses take up the balance of that figure. We will put in the breakdown of those figures where they appear on page 19, regional and State assignments.

Training, which we have discussed, is on page 20, program management and technical services on page 21, and then we discussed at length the medical education for national defense. We will put in the breakdown on page 22.

(The page follows:)

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| A. Regional and State assignments | 67 | $834,000 | 67 | $876,000 | 0 | +$42,000 |

This activity provides technical advice and assistance on all phases of emergency health readiness programs with adherence to national policies, standards, and methods; interpreting policies, regulations, and procedures; and establishing working relationships with all health and educational groups concerned with emergency preparedness.

Public health advisers and secretaries assigned to each of the nine regional offices of the Department of Health, Education, and Welfare provide program consultation and assistance in training to State and local health departments and health agencies for the development of emergency medical and health capabilities at the regional, State, and local level.

Public health advisers are also assigned to 48 States and Puerto Rico. They are providing assistance in the stimulation, development, and activation of emergency health readiness programs for the population under all conditions of emergency situations; coordinating periodic inspection of emergency hospitals with the State, continually checking to assure that responsible people know how to use and adequately maintain these pre-positioned packaged hospitals; arranging and assisting in the presentation of State and local training courses; coordinating medical self-help training activities being conducted in communities throughout the State; assisting communities to attain health resource requirements; arranging for larger storage facilities to accommodate additional medical supplies that will increase the operational capability of the existing emergency hospitals; inspecting and approving new storage facilities that afford maximum protection for pre-positioning new emergency hospitals; and obtaining Federal-State storage agreements for the storage of emergency hospitals. Significant progress in effecting emergency health preparedness has been accomplished in States through the assignment of public health advisers.

An increase of $42,000 is requested for 1966 to provide for: annualization of increased pay costs, $1,000; travel and per diem allowances, $9,000; transportation of materials, $3,000; communications, $4,000; printing and reproduction, $5,000; supplies and materials, $4,000; equipment for the presentation and conduct of health service programs, $4,000; and an amount of $12,000 for increases in contractual services with other agencies for the presentation of State and local health readiness programs.

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| B. Training | 32 | $689,000 | 32 | $858,000 | 0 | +$169,000 |

Training activities are directed specifically toward the following major goals: (1) The development of programs to enable the training of each individual to meet his own emergency health needs. The nationwide implementation of the medical "self-help" training program is expected to provide for the achievement of the "individual's" capability when physicians services are not available and to lessen the heavy emergency workload on professional staffs during a major disaster; and (2) the development of training courses and materials for professional and allied health workers to increase their capabilities in assisting communities to survive under disaster conditions. This is being accomplished through the development and conduct of National, State, and local health mobilization training activities for physicians and members of the allied health

professions, including nurses, dentists, veterinarians, pharmacists, environmental hygienists, and others, to receive training to allow them in an emergency to perform functions beyond their usual peacetime services.

During 1964 and 1965, training officers have been assigned at the regional level to provide the increased technical assistance requested by States and local communities in planning, conducting emergency health training activities, and to further develop the training program of preparing medical and allied health personnel to expand their existing functions to the postdisaster situation in which personnel, supplies, equipment and utilities will be limited or not available. Training programs will be developed and conducted on the basis of long range goals, to individuals to acquaint them with the expanded functions recommended for the various health disciplines in disaster situations. This includes the conduct of emergency hospital training programs to provide instruction in the use and maintenance of the emergency hospital; continuation and intensification of the program of medical self-help designed to provide training to at least one member of every family in the United States; further development and conduct of environmental health training programs and for chemical and biological warfare defense; continuation of State and local training programs; and development of training materials and teaching aids for use in curriculums of schools, colleges, and local communities training programs.

Funds for the acquisition of training materials for the medical self-help training program are contained in the estimates of the Department of the Army, Office of Civil Defense and, are transferred to the Department of Health, Education, and Welfare. An amount of $1 million was made available for this program in 1965 and an additional $1 million is anticipated in 1966.

An increase of $169,000 for 1966 will provide for: travel and per diem allowances for regional training officers, $13,000; transportation of training material, including the emergency training hospitals, for training purposes other than under State sponsorship, $2,000; communications, $2,000; printing and reproduction of training materials, $10,000; contractual services for the development and establishment of regional training centers, national and regional training programs, State and local training programs, and for the development of training aids and teaching materials, $129,000; training supplies and materials, $8,000; and an increase of $5,000 for training equipment utilized in the conduct of training programs.

| | 1965 estimate | | 1966 estimate | | Increase (+) or decrease (−) | |
|---|---|---|---|---|---|---|
| | Positions | Amount | Positions | Amount | Positions | Amount |
| C. Program management and technical services | 39 | $646,000 | 39 | $663,000 | 0 | +$17,000 |

The principal functions of this subactivity consist of policy guidance, control of program such as (1) evaluating the emergency requirements for health resources, including medical supplies and equipment, health facilities and manpower, and assessing the ability to utilize such resources postattack, estimating the postattack deficiency between supplies and requirements and recommending programs to overcome these deficiencies; (2) planning and developing programs which will assure Federal, State, and local governmental and health facility readiness to provide emergency health services, and (3) maintaining a continuous review and evaluation of emergency health readiness at all levels.

During 1965 the program objectives have been and will be accomplished by (1) planning and administering programs and developing policies and procedures for the mobilization, management, and utilization of civilian health resources-manpower, facilities and supplies, and providing consultation and guidance to Federal, State and local authorities on all phases of health resources program development and emergency health service program management, (2) providing three positions to the National Resources Evaluation Center where the following functions are performed: (*a*) maintenance of a constant state of readiness to evaluate, quantitatively and qualitatively, the condition of the population, manpower, and physical resources important to defense mobilization following any attack upon the United States, (*b*) preparation of periodic estimates of damage,

both direct and indirect, to U.S. resources from anticipated enemy attack patterns, (c) preparation of plans for the use of alternate facilities under emergency conditions, (d) preparation of general vulnerability studies designed to show the survival capability and protection requirements for resources in vulnerable locations throughout the Nation, (e) provision of basic information concerning surviving resources in order to develop practical mobilization program plans in relation to attack situations, and (f) provision of coordinated plans for the dissemination, after actual attack, of damage assessment summaries and estimates to Federal Government agencies concerned; and (3) developing and maintaining plans for the Federal emergency health organizations, functions, administration, staffing, and operating policies and procedures.

Appropriate control is maintained for the provision of a well-balanced program and coordination of branch and field office activity in order to achieve immediate objectives and long-range program goals.

Continued emphasis will be given to accomplish the program objectives of the Division of Health Mobilization by (a) maintaining working relationships and liaison with professional organizations and Government agencies, e.g., the American Medical Association, American National Red Cross, American College of Surgeons, American Hospital Association, Veterans' Administration, General Services Administration, and the Department of Defense, (b) coordinating field program activities in providing assistance, guidance, and consultation for regional operations, (c) providing information services for the planning and conduct of informational and promotional activities, (d) preparing plans to assure the availability of usable public water supplies for essential community uses in an emergency and (e) providing services and essential health supplies including the activation of emergency packaged hospitals during critical disaster situations.

An increase of $17,000 is requested for 1966 to provide for travel and per diem alowances, $5,000; printing and reproduction of resource material, $2,000; and an increase of $10,000 to provide for machine tabulating costs.

| | 1965 estimate | 1966 estimate | Increase (+) or decrease (−) |
|---|---|---|---|
| D. Medical education for national defense | $244,000 | $245,000 | +$1,000 |

Medical education for the national defense is a grant program to medical schools in order to encourage inclusion of disaster training in the school's curriculums. During 1966 approximately 90 schools will participate in the program. This activity is supported jointly by the Department of Health, Education, and Welfare and components of the Department of Defense. The total budget request for this program in 1966 is $980,000 of which Department of Health, Education, and Welfare's share is $245,000.

The increase of $1,000 requested over 1965 represents additional costs necessary to maintain the program level of operations.

Mr. GIAIMO. Do you have any further questions, Mr. Chairman?

Mr. THOMAS. Thank you, no.

Mr. GIAIMO. Mr. Jonas?

Mr. JONAS. Just one.

Am I correct in understanding that this training program in your budget represents only part of the cost? You are getting $1 million from Defense and about $735,000 or $245,000 from the Department of Defense also on the medical education.

Mr. DODGE. There are two programs involved. $1 million from the Department of Defense, Office of Civil Defense, for the materials for the medical self-help training courses.

Mr. JONAS. But the program costs are not $858,000, but $1.8 million?

Mr. DODGE. This would be the total scope of all forms of training that originate out of the division.

Mr. JONAS. If you add the $245,000 it is really $2 million?

Mr. DODGE. No, the $245,000 is for the Medical Education for National Defense program. The Army and Navy and Air Force equally pay the other parts for a total of about $1 million.

Mr. THOMAS. We tried to go into that but the information was woefully weak. The doctor in charge of it is not here. This gentleman is doing the best that he can. It is about as loose a program, as far as the record is concerned, as any. Isn't that correct?

Mr. THOMAS. There is virtually no record at all. We think it is a fine program but we have no information on it. Apparently you gentlemen do not have any more than we do.

Mr. DODGE. We have a lot of information, Mr. Thomas. The chief coordinator, Captain Avery, submits an annual report about 2 inches thick showing each of the colleges' activities in Medical Education for National Defense area. These are rather dramatic readings on the participation of the student bodies in ever so many forms of disaster activities, disaster management programs. They are really quite impressive.

Mr. THOMAS. We got the impression earlier that this was at the community level. Perhaps some local doctor took charge, met in city hall or one of the high school buildings. It was loose, disjointed and unconnected.

Mr. PRICE. There are really three quite different kinds of training activities. One is the Medical Self-Help program which we discussed at some length earlier, which was designed to help the rank and file citizen understand how to care for his health problems in an emergency situation when he did not have access to professional assistance.

The second is the training program that is related to the assembly and utilization of the packaged hospital units.

Third is this so-called Medical Education for National Defense program which is a separate thing partly financed out of this appropriation.

Mr. THOMAS. Who is responsible for that, the Department of Defense or Health, Education, and Welfare?

Mr. PRICE. This is jointly sponsored by the military components of the Department of Defense and the Public Health Service in Health, Education, and Welfare. It is financed, as you will see on page 22, at the level of $980,000 for 1966, of which this particular appropriation contributes only $245,000. These funds are made available to 90 medical schools to support their activities in introducing emergency health disaster care concepts.

Mr. THOMAS. Doctors, nurses, ordinary civilians or what?

Mr. PRICE. This is aimed at the physician, at the medical student who is going through his formal education and training program.

Mr. THOMAS. As far as this appropriation is concerned, how many are you looking for, $1.1 million or $2.1 million?

Mr. PRICE. For the medical——

Mr. THOMAS. I am talking about, as far as this program is concerned.

Mr. KELLY. $1,103,000 for the two major training programs.

Mr. GIAIMO. If you are through, Mr. Chairman, we are through.

Mr. THOMAS. Thank you, gentlemen, for being so nice and helpful.

Mr. DODGE. Thank you, Mr. Chairman.

THURSDAY, APRIL 1, 1965.

# CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES, OFFICE OF EMERGENCY PLANNING

## WITNESSES

**BUFORD ELLINGTON, DIRECTOR**
**FRANKLIN B. DRYDEN, DEPUTY DIRECTOR**
**EUGENE J. QUINDLEN, DIRECTOR, PROGRAM EVALUATION OFFICE**
**WILLIAM B. RICE, DIRECTOR OF ADMINISTRATION**
**JOHN GREEN, DIRECTOR, ANALYSIS AND RESEARCH OFFICE**
**WALLACE OLIVER, CHIEF, DATA DEVELOPMENT DIVISION, NREC**
**A. E. FRY, ACTING CHIEF, BUDGET BRANCH**

*Program and financing*

[In thousands of dollars]

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| | Program by activities: | | | |
| | 1. Agriculture | 380 | 411 | 584 |
| | 2. Commerce | 2,134 | 2,094 | 2,438 |
| | 3. Health, Education, and Welfare | 503 | 470 | 552 |
| | 4. Interior | 235 | 323 | 450 |
| | 5. Labor | 653 | 687 | 704 |
| | 6. Treasury | 65 | 70 | 80 |
| | 7. Federal Aviation Agency | 53 | | |
| | 8. Housing and Home Finance Agency | 122 | 126 | 156 |
| | 9. Federal Communications Commission | 15 | 80 | 95 |
| | 10. Interstate Commerce Commission | 88 | 104 | 141 |
| | Total program costs, funded | 4,248 | 4,365 | 5,200 |
| | Change in selected resources [1] | −65 | | |
| 10 | Total obligations (object class 25.0) | 4,183 | 4,365 | 5,200 |
| | Financing: | | | |
| 25 | Unobligated balance lapsing | 7 | | |
| | New obligational authority | 4,190 | 4,365 | 5,200 |
| | New obligational authority: | | | |
| 40 | Appropriation | 4,190 | 4,190 | 5,200 |
| 44 | Proposed supplemental due to civilian pay increases | | 175 | |
| | Relation of obligations to expenditures: | | | |
| 71 | Total obligations (affecting expenditures) | 4,183 | 4,365 | 5,200 |
| 72 | Obligated balance, start of year | 490 | 832 | 797 |
| 74 | Obligated balance, end of year | −832 | −797 | −877 |
| 77 | Adjustments in expired accounts | −52 | | |
| 90 | Expenditures excluding pay increase supplemental | 3,789 | 4,233 | 5,112 |
| 91 | Expenditures from civilian pay increase supplemental | | 167 | 8 |

[1] Selected resources as of June 30 are as follows: Unpaid undelivered orders, 1963, $119,000 (1964 adjustments, −$53,000); 1964, $1,000; 1965, $1,000; 1966, $1,000.

Mr. GIAIMO. The committee will come to order.

Governor Ellington, it is a pleasure to have you here and also the other gentlemen with you. We will proceed.

## GENERAL STATEMENT

As I understand it, you have a statement you would like to make and then we will have some questions.

Mr. ELLINGTON. Mr. Chairman and members of this committee, today you will hear from representatives of nine departments and agencies who have specific preparedness responsibilities assigned to them under Executive order. The nine agencies whose requests are included in this budget are carrying on programs which are not provided for in their regular appropriations. At your request, these items are included as a part of the Office of Emergency Planning budget.

I would like to point out that the group of top officials which appears before you today reflects the continuing effort to carry out the President's desire that emergency preparedness be made part and parcel of the on-going operations of the departments and agencies. These agency programs are not individual, unrelated, or uncoordinated pieces. They are part of a program by the Federal Government to carry out its responsibilities under the national plan for emergency preparedness promulgated by President Johnson in December 1964.

In his promulgation, President Johnson said:

> The preparedness measures outlined in the national plan for emergency preparedness are essential. They must be fulfilled. As President, I pledge that those responsibilities of the Federal executive branch will be carried out, and I urge the chief executives of State and local governments, the leaders of labor and industry, and all Americans to accept and fulfill their particular roles.

The Alaskan, west coast, and other disasters of the past year demanded and received the highest level of cooperation among Federal agencies to save lives, alleviate suffering, and protect property. This is the kind of cooperate action which must be planned and prepared in advance. It doesn't just happen. It wouldn't just happen in a military disaster. Such planning and preparation requires constant attention and vigilance. As I see it, nonmilitary defense like military defense is a never-ending job. We keep striving for complete preparedness, knowing that each year we get closer. The Executive orders to the departments and agencies require them to prepare for all kinds of emergencies and to continually improve and update their preparations.

Preparation for natural and military disasters is not solely a Federal matter. We are currently in a phase of the program which emphasizes assistance to States and the need to develop a good Federal-State partnership.

The Office of Emergency Planning provides the departments and agencies, including the nine represented here, with overall assumptions, policy guidance, program assistance, and coordination. OEP allocated the funds which the Congress appropriated last year for these programs according to specific work objectives under contracts which were tied to the budget allocations. These departments and agencies and those not receiving OEP funds have reported to OEP every 6 months on their progress against the work objectives agreed to. We have maintained close contact with the staffs of the agencies as they carried forward their day-to-day activities. In addition, we have made an annual review and have advised the head of each department and agency of the results of the review.

In conclusion, Mr. Chairman, the need for emergency preparedness, under vigorous Federal leadership, at all levels of government remains vital. Progress has been made as you will note from the budget and from the testimony here today. Other Presidentially approved objectives remain to be accomplished.

Mr. Rice and other OEP representatives will remain throughout the hearings to provide any overall information which is not within the responsibilities of the individual witnesses.

Thank you, Mr. Chairman.

Let me say here, Mr. Chairman, in the month that I have been here, I have met with all of these agency groups. We have tried to go into their programs and planning as much as we can. We hope to continue to develop a very close working agreement with them and work in harmony together to achieve these goals that we are all working toward.

Thank you, sir.

Mr. THOMAS. Mr. Giaimo, would you let me speak to the Governor just a minute and then I will turn this over to you.

SUPERVISION OF OTHER AGENCIES' ACTIVITIES

Governor, we agree with that fine statement you made. We think it is absolutely necessary. There is no need to have everybody running it. You have to have coordination but these government agencies are well qualified. Here is what troubles us: In your own organization—let some of your staff answer this—we tried to figure out just how many of your people are managing these activities of other agencies. They have about 325 people requested in the 1966 budget. You have at least three divisions involved in this. We tried to figure it out. The best we could come up with was 53 of your high-powered people are bossing about 300 employees in these delegated agencies. Who is going to answer that?

You have your research and development group, management group, and continuity group. In OEP everybody has a finger in it. The best we could figure out was that about 53 of your high-quality people are managing 300 delegated agencies.

Mr. RICE. Sir, there are only 30 people who do a so-called coordinating job.

Mr. THOMAS. Add them all up, scientific people and all.

Mr. RICE. The scientific people, Mr. Chairman, do provide the data and the basis for the whole job, for OEP, all of the agencies, and the States.

Mr. THOMAS. The question I am asking you is this: Is that figure in the ball park, about 53 of your top people managing 300 people in these delegated agencies?

Mr. RICE. No.

Mr. THOMAS. How many?

Mr. RICE. Thirty.

Mr. THOMAS. More than that

Mr. RICE. There are 31 agencies and only 9 of them come before this committee for money.

Mr. THOMAS. How far out of the ball park is that figure of 53 for your top people? You have 16's, 17's, and 15's managing the delegated agencies?

Mr. RICE. We have 30 people who day to day do the coordinating job.

Mr. THOMAS. Let me read this into the record. You have research for 12, State agencies for 14, and what is your figure?

Mr. RICE. Thirty.

Mr. THOMAS. You stand on 30?

Mr. RICE. Yes, sir.

Mr. THOMAS. That is 10 percent, isn't it? Excuse me, Governor. I know that you have something else to do. Let us thank you again for coming over and sharing this very delightful occasion with you.

Mr. ELLINGTON. Thank you, sir.

JUSTIFICATION MATERIAL

Mr. GIAIMO. At this point we will put pages 2, 3, and 4 of the budget justification in the record. This sets out the entire budget request.

(Page 3 follows:)

OFFICE OF EMERGENCY PLANNING—CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

The funds requested under this appropriation cover the emergency preparedness functions of nine Federal departments and agencies. The President assigned emergency preparedness responsibilities to a total of 31 departments and agencies. The appropriations requested for the nine are to cover functions assigned by Executive orders which are not normal functions of the departments and agencies and cannot be absorbed within their regularly appropriated funds. The requests were developed jointly by the individual departments and agencies and OEP. Where civil defense functions are involved, the requests were reviewed by the Office of Civil Defense of the Department of Defense.

Funds for fiscal years 1964 and 1965 were allotted to these agencies for specific objectives to be accomplished during these periods. The objectives for fiscal year 1964 were generally met, and work toward completion of the fiscal year 1965 objectives is on schedule. The funds requested in this budget will support an adequate degree of progress toward nonmilitary defense objectives and the ultimate state of preparedness at Federal and State levels.

As in fiscal year 1965, the agencies will place the greatest emphasis on support to State governments in the completion and testing of their plans for emergency management of resources. It is now estimated that these State plans will be completed by the end of calendar year 1966.

*Financial and personnel summary*

| Agency | 1964 actual | | 1965 estimate | | 1966 estimate | |
|---|---|---|---|---|---|---|
| | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations |
| Agriculture | 18 | $359,421 | 19 | $411,000 | 19 | $584,000 |
| Commerce | 150 | 2,024,000 | 151 | 2,094,000 | 167 | 2,438,000 |
| FAA | 4 | 60,000 | | | | |
| FCC | 1 | 16,000 | | | | |
| HHFA | 10 | 122,000 | 7 | 80,000 | 7 | 95,000 |
| HEW | 28 | 475,781 | 10 | 126,000 | 16 | 156,000 |
| Interior | 17 | 235,200 | 38 | 470,000 | 41 | 552,000 |
| ICC | 3 | 80,000 | 21 | 323,000 | 31 | 450,000 |
| Labor | 33 | 693,282 | 4 | 104,000 | 6 | 141,000 |
| Treasury | 5 | 65,000 | 31 | 687,000 | 33 | 704,000 |
| Unobligated balance | | 59,316 | 5 | 70,000 | 5 | 80,000 |
| Total | 269 | 4,190,000 | 286 | [1] 4,365,000 | 325 | 5,200,000 |

[1] Includes $175,000 supplemental for cost of pay raise.

*Obligations by object class*

| | | 1964 actual | 1965 estimate | 1966 estimate |
|---|---|---|---|---|
| 11 | Personnel compensation | $3,198,701 | $3,324,220 | $3,905,234 |
| 12 | Personnel benefits | 228,571 | 243,504 | 286,613 |
| 21 | Travel | 148,615 | 205,127 | 254,157 |
| 22 | Transportation of things | 7,061 | 7,325 | 10,800 |
| 23 | Rent, communications, and utilities | 48,675 | 55,025 | 68,725 |
| 24 | Printing and reproduction | 45,483 | 64,379 | 72,740 |
| 25 | Other services | 134,161 | 137,530 | 130,160 |
| 26 | Supplies and materials | 20,260 | 27,185 | 36,171 |
| 31 | Equipment | 10,058 | 11,705 | 14,400 |
| 41 | Grants, subsidies, and contributions | 289,000 | 289,000 | 421,000 |
| 42 | Insurance claims and indemnities | 99 | | |
| | Unobligated balance | 59,316 | | |
| | Total | 4,190,000 | 4,365,000 | 5,200,000 |
| | End year employment | 269 | 286 | 325 |
| | Average employment | 297 | 289 | 358 |

Mr. GIAIMO. You are asking $5,200,000 and an increase of 39 positions to 325 positions for 8 different departments.

Page 4, you have this broken down by object classification. Your estimate for 1966 is $5,200,000 against $4,365,000. Is it correct to say that the increase is due to the personnel benefits and personnel compensation increases which are mandatory?

Mr. RICE. The delegate agency appropriation, sir, jumps from $4,365,000 to $5,200,000. A great percentage of that difference is the personnel pay raise.

Mr. GIAIMO. On page 4 you indicate $3,905,234 for personnel compensation, and right under that the next figure is $286,613.

Mr. RICE. Right.

Mr. GIAIMO. Those items take up the greater portion of the increase. Is that right?

Mr. RICE. That is correct.

## DEPARTMENT OF AGRICULTURE

### WITNESSES

**CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE**
**ROBERT S. REED, ASSISTANT TO THE SECRETARY FOR DEFENSE MOBILIZATION PLANNING**
**GEORGE WALTER, DEPUTY ASSISTANT TO THE SECRETARY**
**JOHN L. WELLS, ASSISTANT DIRECTOR OF FINANCE**

Mr. GIAIMO. We will proceed without any delay to the Department of Agriculture. We have with us Mr. Charles Murphy, the Under Secretary of Agriculture. Do you have anyone with you whom you would like to introduce?

Mr. MURPHY. Yes, Mr. Chairman. Robert S. Reed, Special Assistant to the Secretary, and Mr. John Wells of the Office of Budget and Finance.

### GENERAL STATEMENT

Mr. GIAIMO. Do you have a prepared statement?

Mr. MURPHY. I have a prepared statement; yes, sir.

Mr. GIAIMO. Would you like to put that in the record and comment on it?

Mr. MURPHY. I will be very happy to do this. Also, Mr. Reed has a prepared statement that he will be happy to put in the record.

Mr. GIAIMO. Very well.

(The prepared statements of Mr. Murphy and Mr. Reed follow:)

STATEMENT OF CHARLES S. MURPHY, UNDER SECRETARY OF AGRICULTURE

I am Charles S. Murphy, Under Secretary of Agriculture. I wish to thank you for this opportunity to briefly discuss the Department of Agriculture's emergency readiness responsibilities, how we carry them out, and why we need some additional funds.

As a matter of policy, the Department carries out its emergency responsibilities, in connection with our regular program administration and operations. We have assigned emergency repsonsibilities to the Department agencies carrying out the most similar peacetime programs. Our plans for meeting food and related responsibilities in an emergency were recently published as a part of the national plan for emergency preparedness. Regular USDA employees at National, regional, State and county levels have been given emergency assignments. Handbook instructions for their use in an emergency have been issued. Department and Extension Service personnel carry out emergency assignments as a part of their regular duties.

Emergency responsibilities to be financed out of OEP delegate agency funds differ significantly from our regular activities. These activities include: (1) furnishing guidance to State government food task groups which are responsible for developing a capability for controlling local food distribution; (2) to provide special training for USDA field personnel on how to carry out emergency responsibilities; (3) to assist certain rural areas which do not now have adequate fire protection capability in the development of an adequate rural fire defense system; (4) to provide coordination of defense and natural disaster readiness; and (5) advising and counseling with the food industry on how USDA will carry out its responsibility for resupply in an emergency. Work in these areas is needed to supplement the emergency preparedness activities carried out as a part of regular USDA programs.

USDA defense boards are key coordinating units in our natural disaster operations. They are gaining valuable experience needed for operation of other emergency programs. We are holding discussions with our USDA field people to point out how recent experiences with floods, earthquakes, fires, and hurricanes can be used to strengthen our organization and capability to meet a defense emergency.

A more detailed statement on our program for insertion in the record will be furnished by Mr. Robert S. Reed, Assistant to the Secretary.

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STATEMENT OF ROBERT S. REED, ASSISTANT TO THE SECRETARY FOR DEFENSE MOBILIZATION PLANNING

I am Robert S. Reed, Assistant to the Secretary of Agriculture, and I direct the defense readiness work and coordinate natural disaster activities of the Department of Agriculture. I welcome this opportunity to discuss with you our emergency preparedness budget request for fiscal year 1966.

Over the past several years the U.S. Department of Agriculture has developed an organization in each State and in each county in each State to carry out the emergency functions assigned the Department by Executive Order 10998. At the State level the USDA defense board is made up of the heads of the eight services in the Department which have major defense responsibilities in the field. Membership in each of the over 3,000 county and 11 metropolitan area USDA defense boards usually includes a representative of each USDA agency with an office in the area. These USDA defense boards at the county level meet on the average of at least three times a year to discuss instructions and to develop a capability to meet problems of a defense emergency. The USDA State defense boards meet on an average of about four times a year on defense readiness. It should be noted, however, the work of the boards is not confined to formal board meetings but frequently includes assignments to individual members and participation in training meetings and meetings called to handle problems resulting from natural disasters.

We carry on our USDA defense board activities along with other work, but some phases of the work of developing an emergency readiness require more manpower than can be readily provided by USDA personnel working on regular USDA programs.

The budget includes $91,500 for help for the USDA State defense board chairmen, both for planning activities and holding workshops to train their county boards, and for providing instructions and information to the USDA State and county defense board members. There was no one to coordinate officially the emergency programs of USDA at the State level until a State defense board chairman was designated, and the chairman continues to need help in carrying out these added responsibilities. This is the same amount of assistance as is available this fiscal year and which will all be used in the States to assure continued effective emergency readiness.

At the county level, it is also necessary that USDA personnel be ready to undertake emergency assignments which differ materially from regular USDA program operations. For example, they must be prepared to assure the proper management and distribution of food at the county level. Improved defense handbook instructions are being issued in this area and intensive training will be needed. For this and related purposes, we plan at least one series of training meetings in each State for all USDA county defense board members. Our budget request is for $90,000 to meet travel expenses incurred by county personnel in attending these training meetings, each of which would normally include several counties. This is an out-of-pocket cost which cannot be met out of any USDA appropriation.

Another assignment to the Department under Executive order is to develop plans for a rural fire control program. In those parts of the country where there are national forests and where we have cooperative fire protection agreements with the States, we have excellent fire control. But in many areas of the country, particularly the Great Plains areas, there is no coordinated rural fire defense program or very little organized fire protection. During the dry season, fires originating from nuclear war could be numerous, extensive, difficult to control, and potentially damaging to lives, resources and improvements. We are asking for funds for one man to assist selected States and local areas to develop rural fire control plans and $42,500 for financial assistance to two pilot States in these deficient areas to help them develop such plans. This limited program will permit continued application of methods, techniques, and field operations in two pilot areas previously carried on with OCD funds. OCD began the project to test methods and has recommended that application of the methods in development of specific plans be financed from the budget now under consideration. USDA has no authorizations or regular appropriations available for work in these large nonforested or lightly forested areas.

Probably our most difficult emergency assignment is to achieve a readiness to direct food shipments into areas where food shortages may be created by a nuclear attack and to assure an equitable distribution of available food throughout the country. Food distribution is a responsibility of the food trade and in an emergency we intend for the food trade to continue this function to the fullest extent possible. But we must provide guidance to the food trade on our plans and be ready to assist them in the solution of difficult problems.

Without a full understanding of potential problems and how they will be met, we cannot assure a continued flow of food to all parts of the country in a post-attack period. This is an activity which has no peacetime counterpart. In fact, it has not been attempted before even under wartime conditions. Funds are needed to finance necessary preparations including the training of qualified personnel and to foster close working relationships with the food trade and with State governments. State governments, through food task groups, are now engaged in preparing plans for emergency distribution of food at the retail level. These plans must dovetail with those of USDA for food supply from point of production through the wholesale level. Our budget request for this work is at the same level as for fiscal year 1965. It includes $76,500 for about 5.4 man-years of time of the Consumer and Marketing Service staff to continue working with Federal, State, and local government officials and the food trade.

While the Department's regular employees will be used in an emergency to carry out our assigned responsbilities, supervision and coordination of defense readiness is necessary. Most of the agencies and many of our people have specific assignments that they must be prepared to carry out in an emergency. Being prepared to carry out these assignments is considered to be a part of their

regular functions. I am responsible for giving management direction to defense program of the Department and for coordinating natural disaster activities. My office includes one assistant and eight emergency program coordinators, one for each of the eight OEP–OCD regions, and three secretaries. This item represents the same level of activity as heretofore.

During the current year we are initiating a small agricultural unit in the national defense executive reserve program. The $10,000 requested for fiscal year 1966 is for training those persons now being selected and for training additional reservists to assist USDA State defense boards in an emergency. These funds are primarily for costs of security clearances and training materials. We have had a number of requests by industry people to be included in this executive reserve but plan only a limited expansion in fiscal year 1966. Regular personnel of the Department will carry out the training of these reservists.

In summary, the U.S. Department of Agriculture will use the requested funds in the areas described. These areas cannot be covered adequately with USDA resources. With such funds to supplement other departmental efforts we can progress in achieving the needed coordination of departmental and field defense responsibilities, cooperate in the development of State food plans, improve our defense against fires in rural nonforested areas and proceed further with the formation of an executive reserve unit to assist USDA in an emergency.

All of this USDA defense program is an essential part of the Nation's preparedness effort.

Mr. MURPHY. We are one of the nine departments and agencies to which Governor Ellington has referred. The Department of Agriculture has some very extensive responsibilities in the field of preparedness. They include furnishing guidance to State government food test groups and providing special training.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. GIAIMO. You may proceed.

Mr. MURPHY. We do try, as Governor Ellington indicated, to carry out these activities that are delegated to the Department of Agriculture as a part and parcel of the regular work of our people throughout the country. For this purpose we have what we call defense boards set up in different States and counties, and we have a special group in the Department of Agriculture to coordinate this work and keep it going and see our people, who have so many other regular duties, do not neglect this work and just let it slide.

Mr. Reed, who is here with me, has the special responsibility for this in the Department, and I would like to say since he took this job over, I guess about 2 years ago, the Department has handled it in much better fashion than they had heretofore.

That is all I would have to say, I think, Mr. Chairman.

Mr. GIAIMO. Would you like to have Mr. Reed proceed, then, to make a very brief statement?

Mr. MURPHY. Yes.

Mr. REED. The Secretary of Agriculture has delegated to me the direction of our emergency preparedness program in the Department, including those that have to do with the Office of Civil Defense and the Office of Emergency Planning.

We are blessed with a built-in organization that can carry our program right down to the county level, and even to the community level. We have rather a small increase in our request this year. This only involves one person in the way of personnel, and $173,000 in addition to last year. This makes a total of $584,000.

Mr. GIAIMO. How many people do you have employed now?

Mr. REED. Twenty-seven man-years, and 19 year-end employment.

Mr. RICE. Nineteen.

Mr. GIAIMO. Against this appropriation?

Mr. RICE. Yes.

Mr. GIAIMO. You are asking, then, for $584,000 this year and 19 positions. Is that right?

Mr. REED. Yes, sir.

Mr. GIAIMO. We have a lot of justification language in here, but it is very long. I wish you would just boil it down for us and tell us briefly what you are doing and why, and what you are trying to accomplish in the furtherance of your mission, and also briefly comment on the 5-year program.

Mr. REED. I think the Under Secretary mentioned our present status and mission.

Our overall responsibility, in one word, is "food," the food distribution, the food management, and the food production postattack. To carry out this responsibility, we are using the organization that the Department has had for a number of years, but we have assigned a definite job to the State director of ASCS, the Agriculture Conservation and Stabilization Agency, to be the chairman of the State defense board, and the manager of the county office is the chairman of the county defense board.

The organization at the State level has eight different agencies of the Department and an average of about three or four at the county level. So we have these responsibilities in connection with food, plus our own capability to operate postattack, our education of rural people in rural communities, and also in small towns, on the responsibilities of trying to teach self-preservation, and the protection of livestock and food production postattack.

We have a very small organization, consisting of myself, an assistant, and 2 secretaries, plus 8 emergency field coordinators that work out of my office, 1 for each of the 8 area offices of OEP–OCD and two secretaries for them, making a total of 14 people that are coordinating this whole operation. All of our responsibilities are related to our postattack situation.

We have not reached the point where we can say we are prepared. One of our tremendous jobs postattack is to manage and distribute food, and this will be a problem at county level. Although our county boards are made up of professional people, we feel we have a tremendous job in training these people to be able to handle this phase of the work.

Mr. GIAIMO. Are they under the State defense board?

Mr. REED. Yes. These are all Federal employees with the exception of the county extension agent, who is a cooperative employee.

Mr. GIAIMO. Most of what you are telling us now is already in your statement?

Mr. REED. Yes, sir.

Mr. GIAIMO. Then we will not repeat it, since it is already in. [Reading:]

Funds to be provided by OEP to Agriculture for fiscal year 1966 are budgeted to provide the following—

And you set them forth on page 8 and page 9—Agricultural Marketing Service, $76,500; Agricultural Stabilization and Conservation

Service, $181,500; Forest Service, $65,000; and the Office of the Secretary, $261,000.

We will put in the lower part of page 8, starting with "Staffing and funding," page 9, page 10, page 11, and also the staffing and funding breakdown on page 12 in the record. Also insert page 13.

(The pages follow:)

STAFFING AND FUNDING

Funds to be provided by OEP to Agriculture for fiscal year 1966 are budgeted to provide the following:

*A. Agricultural Marketing Service ($76,500)*

The assignment to AMS is postattack food management. This is an activity which not only has no approximate counterpart in peace time, but never before has been attempted. Even the controls of World War II and the Korean conflict offer no useful precedents.

Plans which must encompass even eventualities not now identified are difficult to develop and test, and even more difficult to present as operational plans in which personnel must be technically competent. Competence, of course, necessarily includes a capability to invent and improvise to meet unforeseen situations. These problems of associating practical plans and procedures with situations which only can be imagined extend beyond the USDA sphere of activity and pervade as well the preparations of State and local governments whose resource management plans must be compatible in all cases and indentical in some.

In a continuing effort to move ahead in the area of emergency food management, the funds requested ($76,500) will provide for devotion of approximately 5.4 man-years to (*a*) provide assistance to State and local governments, and particularly food task groups, in developing capability to carry out their parts of the total emergency food program; (*b*) train AMS field personnel, especially State food management representatives and their support staffs, in carrying out their responsibilities; and (*c*) pursue the development, testing, and refinement of the procedures, directives, and other documentation necessary to carry out the AMS food management assignment and support the OEP comprehensive program. The amount is the same as for fiscal year 1965 and will provide for the same level of activity.

*B. Agricultural Stabilization and Conservation Service ($181,500)*

The Department of Agriculture has established defense boards in 50 States, plus the District of Columbia and Puerto Rico, over 3,000 counties and 11 metropolitan areas. These boards include representatives from major USDA agencies and would be the principal channel for field direction of the program responsibilities of USDA in an emergency.

USDA defense board chairmen need assistance in achieving readiness in those areas for which there is no direct counterpart in regular program work and which cannot be assigned to individual USDA agencies. It is proposed in fiscal year 1966 that State and county defense boards go as far as possible in applying to their own situations instructions for evaluating and reporting effects of attack and instructions for claiming requisites such as transportation, fuel, electricity, and manpower. Training will be carried out at State and county levels for those who will be primarily concerned with these activities in the postattack period.

Since there is no counterpart to the board chairman himself in regular program activity of USDA, he needs help in the basic job of coordinating all emergency preparations, maintaining liaison with outside agencies and groups, and coordinating the training of those who will carry out emergency assignments particularly at the county level. A major aim in fiscal year 1966 is to encourage USDA State defense boards to apply basic instructions already available to situations in particular States and counties. This will become a basis for training in fiscal year 1966 with emphasis on the training of county defense board members.

The county defense board chairman must also be trained in food management responsibility including relationships with county government. Since the food management agency (AMS) has few representatives at the county level, except in metropolitan areas, the county defense board chairman is assigned this program in addition to his other responsibilities.

Approximately half of these funds are to provide assistance to USDA State defense board chairmen in organizing and training USDA defense boards to carry out their emergency responsibilities and develop the degree of readiness desired. This would be continued at the same level as for fiscal year 1965. The increase of $90,000 would be primarily to provide for costs of travel of ASCS county office managers who are chairmen of USDA county defense boards to defense training meetings. In some cases travel of other USDA defense board members to training meetings would be included. Costs of personal services will not be included. This amount is small in relation to the total investment in defense activities at the county level. However, it covers an out-of-pocket cost which is particularly difficult to absorb. This small investment will help to mobilize a large capability.

*C. Forest Service ($65,000)*

Provide 1 man-year to assist selected States and local areas to develop coordinated rural fire defense programs. The remainder of the funds ($42,500) would be primarily for financial assistance to two pilot States for providing local and partial State readiness. No funds for this purpose were provided by OEP in fiscal year 1965 or in previous years. This limited program will assist to partially maintain the "pilot" program previously initiated with OCD funds and will permit further testing of methods, techniques, and field operatons.

*D. Office of the Secretary ($261,000)*

Funds for fiscal year 1966 will provide continuation of the current level of staffing which consists of an assistant to the Secretary of Agriculture for defense, his deputy, their secretaries and eight emergency program coordinators, one assigned to each OEP–OCD (DOD) region. The assistant to the Secretary, his deputy, and secretaries direct defense and coordinate natural disaster programs within the Department of Agriculture. This includes policy direction to the USDA State, county, and metropolitan area defense boards. They also provide liaison between USDA and other Federal agencies on defense and natural disaster problems.

The emergency program coordinators provide liaison at OEP–OCD (DOD) regional offices on all defense and natural disaster programs involving Agriculture, work with USDA State defense boards to develop a capability to operate in an emergency and assist, by working with State officials, in coordinating State and local emergency plans with those of USDA in such areas as food and fire responsibilities, claimancy for requisites needed by Agriculture and related problems. The increase in funds requested for fiscal year 1966 is necessary to maintain for a full year the level of this activity initiated in late 1964 at the request of the Office of Emergency Planning.

Funds requested for the USDA participation in the national defense executive reserve program will permit training of persons selected in fiscal year 1965 and adding some additional people who, in an emergency, will assist USDA State defense boards to carry out their emergency responsibilities.

## U.S. Department of Agriculture

### Civil defense and defense mobilization functions of Federal agencies

*Staffing and funding breakdown*

| Agency and activity | 1965 estimate | 1966 estimate | Change, 1966 over 1965 |
|---|---|---|---|
| 1. Agricultural Marketing Service: Food management | $76,500 | $76,500 | |
| 2. Agricultural Stabilization and Conservation Service: Defense boards | 91,500 | 181,500 | +$90,000 |
| 3. Forest Service: Rural fire defense | | 65,000 | +65,000 |
| 4. Office of the Secretary: | | | |
| Regional defense coordinators | 168,000 | 181,000 | +13,000 |
| Departmental defense coordination | 65,000 | 70,000 | +5,000 |
| Executive reserve program | 10,000 | 10,000 | |
| Total | 411,000 | 584,000 | +173,000 |

*Financial and personnel summary*

| Object classification | | Agency, fiscal year 1966 | | | | Summary | | |
|---|---|---|---|---|---|---|---|---|
| | | Office of Secretary | AMS | ASCS | Forest Service | 1966 | 1965 | 1964 |
| 11 and 12 | Personnel services and benefits | $193,715 | $65,200 | $82,448 | $11,000 | $352,363 | $340,308 | $303,606 |
| 21 and 22 | Travel and transportation of persons and things | 36,000 | 7,525 | 8,162 | 7,000 | 58,687 | 45,662 | 40,870 |
| 23 | Rents, communications, and utilities | 5,000 | 500 | 650 | 1,000 | 7,150 | 4,175 | 3,052 |
| 24 | Printing and reproductions | 10,000 | 2,000 | | | 12,000 | 8,000 | 3,785 |
| 25 | Other services | 15,000 | 450 | | 1,000 | 16,450 | 10,450 | 6,857 |
| 26 and 31 | Supplies and equipment | 1,285 | 825 | 240 | 3,000 | 5,350 | 2,405 | 1,251 |
| 41 | Grants | | | 90,000 | 42,000 | 132,000 | | |
| | Total | 261,000 | 76,500 | 181,500 | 65,000 | 584,000 | 411,000 | 359,421 |
| Positions (man-years) | | 14 | 5 | 8 | 1 | 28 | 26.9 | 25.8 |

OFFICE OF THE SECRETARY

Mr. GIAIMO. Will you comment on the $261,000 that you are asking for the Office of the Secretary?

Mr. REED. The $261,000 is my office, which has attached to it the eight emergency program coordinators I mentioned, one for each of the regions, and a total of four secretary positions. And the participation in the national defense executive reserve program amounts to $10,000, which for the purposes of this submission has been tied to the Secretary's Office.

Mr. RICE. One thing I think needs emphasis, these folks are also coordinating Agriculture's entire effort in response to a natural disaster. When it happens it is very time consuming and takes a great deal of effort and coordination and staff.

Mr. GIAIMO. I see.

Mr. RICE. I might also brag about Agriculture in this respect: that they are getting their efforts right down to the level where the food is needed by the people, and in preparing to produce and process and get back into the channels the food that will be needed in a postattack situation, they are working right down at the working level, which is important.

Mr. REED. We never have to set up an organization for national disasters. It is already operating when disaster strikes.

Mr. THOMAS. Will the gentleman yield?

Mr. GIAIMO. Yes.

PROTECTION OF CATTLE

Mr. THOMAS. What are you going to do about dairy and beef cattle? What can be done to protect them against fallout? Will the time come when you can go out and spray the grass so they can eat it? They have got to have something to eat, and you cannot feed them all out of the barn.

Mr. REED. A great number of things can be done. This comes within the OCD phase of our operation, and there have been a great amount of instructions, farmer publications, and meetings held on using the type of protection that you find on the farm.

Mr. THOMAS. They have to eat. You cannot turn them out in the pasture. How long will it take the fallout to dissipate itself? The cows cannot last 4 or 5 days without something to eat.

Mr. REED. Let me take a minute to explain our situation on milk, which has gone farther than anything else.

Mr. THOMAS. Let's stay with milk cows and beef cattle. How are you going to protect them? What are you doing?

Mr. REED. We have had experience in actual fallout in Minnesota and a few other States, and what to do about it.

Mr. THOMAS. That has been way beneath the level of any danger point.

Mr. REED. That is correct, but it points up the way you have to go about it. One thing you can do is to bring in protected feed, if you have a heavy fallout. And another thing you can do is to either freeze or can the milk and hold it until the radioactivity decays. We

have developed a commercial process now so that we can remove Iodine 131 and Strontium 90 or most other radioactive elements.

Mr. THOMAS. If it comes at night and catches everybody flatfooted and the cattle are out in the pastures, is there anything you can do to protect the beef cattle or the dairy cattle in that emergency?

Mr. REED. Yes, sir.

Mr. THOMAS. What can you do about it?

Mr. REED. You can, first of all, have a barn with more protection than the usual amount of hay in the loft. The product of the animal, we are finding all the time, is much less dangerous so far as radioactive fallout than we originally thought.

Mr. THOMAS. Do you mean the cows can stay in a pasture 3 or 4 days and not have what they eat affect the milk or affect the meat?

Mr. REED. No, I would not say that. This depends entirely on the strength of the fallout, the number of roentgens received. We do have processes to remove the radioactive contents of the milk.

Mr. RICE. I might say that scientists in recent times have told us that the cattle themselves can take a great deal more fallout than originally thought.

Mr. THOMAS. Are we depending on their ability to resist as the only protection they have?

Mr. RICE. No, sir. They can be washed down, and subjected to other cleansing processes.

Mr. THOMAS. What about the pasture?

Mr. RICE. They can also safely eat a greater amount of infected grass than previously thought.

Mr. THOMAS. We had better pray for a big rain after the bomb drops.

Mr. JONAS. If I may make comment which is not directly on the point but points up the real program, I have a dairyman in Mecklenburg County, N.C., who has been pouring out milk into the creek since February because of too high a rate of—I do not even know the name.

Mr. REED. Is it a hydrocarbon?

Mr. JONAS. Something that comes from the use of a pesticide. He did not even use it on his farm, but it blew into his pasture from the adjoining farm. He has not used a drop of it, but he has been pouring out milk and going broke since the 1st of March. If that will happen from an ordinary pesticide, that it makes the milk unfit for consumption, I do not know how you are going to control fallout unless you got feed that is in storage and protected.

Mr. REED. This we have.

Mr. MURPHY. If I might make a comment about this, Mr. Chairman, I think it is undeniably true that the amount of protection we can give is limited, and we cannot give absolute protection if you have anything like a direct hit and you have an enormous amount of fallout.

Mr. THOMAS. The only thing you can do is pray for a big rain.

Mr. MURPHY. We cannot give you absolute protection for people or for cattle. There are some things we have learned how to do that might help and might make the difference in a situation that is fairly close.

My memory is fairly clear that we put out one of these little printed bulletins a year or so ago that told as much as we were able to tell at that time. If so, we will certainly be glad to send that to you.

One of the things you can do is to try to have barns available, and if you cannot get the cattle in the barns ahead of time get them in as soon as possible after that and try to keep them there a few days. I just think there is no absolute protection.

Mr. JONAS. Is a silo efficient protection against fallout?

Mr. MURPHY. Most any cover of that kind, generally speaking, is sufficient protection.

Mr. JONAS. A silo would be better protection than a barn loft. You could not protect feed in a barn, hardly, going in and out of doors.

(Discussion off the record.)

OFFICE OF THE SECRETARY

Mr. GIAIMO. Let's proceed. We will put page 14 in the record where you have the object classification.

(The page follows:)

## OFFICE OF THE SECRETARY

### CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

*Financial and personnel summary*

| | 1964 actual | | 1965 estimate | | 1966 estimate | | Change, 1965 compared with 1966 | |
|---|---|---|---|---|---|---|---|---|
| | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations |
| Obligations and employment by activity: | | | | | | | | |
| Program coordination and direction | 4 | $54,826 | 4 | $75,000 | 4 | $80,000 | | +$5,000 |
| Field defense coordinators | 5 | 95,000 | 10 | 168,000 | 10 | 181,000 | | +13,000 |
| Total | 9 | 149,826 | 14 | 243,000 | 14 | 261,000 | | +18,000 |
| Obligations by object class: | | | | | | | | |
| 11 Personnel compensation | | 110,196 | | 179,200 | | 180,200 | | +1,000 |
| 12 Personnel benefits | | 8,164 | | 13,460 | | 13,515 | | +55 |
| 21 Travel and transportation of persons | | 24,073 | | 30,000 | | 36,000 | | +6,000 |
| 22 Transportation of things | | 50 | | | | | | |
| 23 Rent, communications, and utilities | | 1,909 | | 3,000 | | 5,000 | | +2,000 |
| 24 Printing and reproduction | | 2,868 | | 6,000 | | 10,000 | | +4,000 |
| 25 Services of other agencies | | 2,081 | | 10,000 | | 15,000 | | +5,000 |
| 26 Supplies and materials | | 485 | | 1,340 | | 1,285 | | −55 |
| Total | | 149,826 | | 243,000 | | 261,000 | | +18,000 |

Mr. GIAIMO. You have an increase of about $13,000. Would you briefly justify that?

Mr. REED. This comes about by the fact that on October 11 we increased our field staff by four to cover the eight OEP regions, and we need some additional travel funds both in my office and for the people in the field.

Mr. GIAIMO. The increase is approximately $3,000 for rents, communications, and utilities. What is the reason for that?

Mr. REED. One of the reasons for it, we have at the present time these regional coordinators located out in the other agency headquarters in the various regions, and we may need to pay a little more rent in this case, and particularly the communications.

Mr. GIAIMO. It is for rent and communications?

Mr. REED. Yes.

Mr. GIAIMO. You have an increase in printing and reproduction of $4,000. What is that for?

Mr. REED. This involves the instructions and all the orders that go out to the States and county defense boards in operating our program. Also, for the executive reserve program.

FIELD DEFENSE COORDINATORS

Mr. GIAIMO. We will put in page 17. And then you have "Program coordination and direction, civil defense and defense mobilization functions of Federal agencies, detail of personnel grades." You have four positions, the same as last year. We will also put in page 18.

(The pages follow:)

FIELD DEFENSE COORDINATORS

*Detail of personnel grades*

| Title | Grades | 1965, number | 1966, number |
|---|---|---|---|
| Administrative assistant | GS-14 | 5 | 5 |
| Do | GS-13 | 3 | 3 |
| Various | | 2 | 2 |
| Total | | 10 | 10 |

PROGRAM COORDINATION AND DIRECTION

*Detail of Personnel Grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Assistant to the Secretary | GS-16 | 1 | 1 |
| Administrative assistant | GS-15 | 1 | 1 |
| Various | | 2 | 2 |
| Total | | 4 | 4 |

FOOD MANAGEMENT PREPAREDNESS

Mr. GIAMO. Under "Food management preparedness," on page 20, you have set forth the different grades. We will put that page in the record.

(The page follows:)

AGRICULTURAL MARKETING SERVICE

FOOD MANAGEMENT PREPAREDNESS

*Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Administrative officer | GS-14 | 1 | 1 |
| Do | GS-13 | 1 | 1 |
| Do | GS-12 | 2 | 2 |
| Do | GS-5 | 1 | 1 |
| Total | | 5 | 5 |

NOTE.—Agricultural Marketing Service is on a consolidated detail of personnel compensation basis, and positions are not readily identified by fund.

STATUS OF 5-YEAR PROGRAM

Mr. GIAIMO. Will someone comment just briefly on the 5-year program and how it is shaping up?

Mr. REED. Our 5-year program is shaping up in excellent manner, and we have really geared down to one overall really tough job that we expect to get done within the next few years. As I mentioned, our job is food management, but all of our preparations in the way of being able to handle the food that goes across State lines and to resupply the States——

Mr. GIAIMO. Please make it brief, and just summarize.

Mr. REED. Our work is of no importance unless the State and counties are ready through their own part of the national preparedness plan to ration food and handle their local food. Our overall objective is to be able to back up a State and county plan of feeding postattack.

Mr. GIAIMO. Thank you very much. I have no further questions. Are there any further questions?

CONTRACTS FROM CIVIL DEFENSE

Mr. JONAS. I have just one. How much money are you getting by contract from Civil Defense? I notice on page 6 you have two contracts, one with the Forest Service and the other with the Department of Agriculture.

Mr. REED. At the present moment we have a contract for $1,375,000, Congressman, that is for the "Rural civil defense education program."

Mr. JONAS. What about the Forest Service?

Mr. REED. The Forest Service has had a contract dealing with the control of fires and getting prepared across the country for $260,000 for the past 15 months. That involves pilot programs in five States. They have said that they can no longer finance any new programs, and since it is an item of preparedness we have an item of $65,000 in this budget to add two more States to this operation.

Mr. JONAS. Is that to be used as a substitute for the contract which the Forest Services has with Civil Defense?

Mr. REED. Not as a substitute, but an addition.

Mr. JONAS. But you are still going to get the $1,375,000?

Mr. REED. Yes, sir.

Mr. JONAS. So what we are talking about is a program of over $2 million instead of $584,000?

Mr. REED. If you put the two together, yes.

Mr. GIAIMO. Thank you very much, gentlemen. We will recess until 1:15.

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## DEPARTMENT OF COMMERCE

### WITNESSES

HERBERT W. KLOTZ, ASSISTANT SECRETARY OF COMMERCE FOR ADMINISTRATION
ROBERT L. HILL, DIRECTOR, OFFICE OF EMERGENCY READINESS
ANTHONY A. BERTSCH, ASSISTANT ADMINISTRATOR FOR INDUSTRIAL MOBILIZATION, BUSINESS AND DEFENSE SERVICES ADMINISTRATION
C. K. FAUGHT, JR., ACTING DIRECTOR, OFFICE OF EMERGENCY TRANSPORTATION
WILBUR H. GRIM, CHIEF, BUDGET SYSTEMS AND CONTROL DIVISION
JOE G. KEEN, DIRECTOR, BUDGET AND FINANCE DIVISION, OFFICE OF ADMINISTRATION FOR DOMESTIC AND INTERNATIONAL BUSINESS

Mr. GIAIMO. The subcommittee will come to order. We will proceed with the hearings on the Department of Commerce request.

Mr. Secretary, would you identify the people with you?

Mr. KLOTZ. Yes, sir; I will be glad to. Sitting here is Mr. Robert Hill, Director, Office of Emergency Readiness, in the Office of the Secretary in the Department of Commerce. On his left is Mr. Anthony Bertsch, Assistant Administrator for Industrial Mobilization, Business and Defense Service Administration. To his left is Mr. C. K. Faught, Jr., Acting Director of the Office of Emergency Transportation in the Department of Commerce.

## GENERAL STATEMENT

Mr. GIAIMO. Do you have a statement which you would like to make at this time?

Mr. KLOTZ. Mr. Chairman, I have.

Mr. GIAIMO. Would you like to insert it in the record or summarize it?

Mr. KLOTZ. I will be happy to insert it in the record for the purposes of brevity.

Mr. GIAIMO. Fine.

(The statement follows:)

STATEMENT BY HERBERT W. KLOTZ, ASSISTANT SECRETARY OF COMMERCE FOR ADMINISTRATION

Mr. Chairman and members of the committee, I am pleased to appear before you again in support of the budget request for the emergency readiness programs assigned to the Department of Commerce by Executive Order 10999. The request for fiscal year 1966 is in the amount of $2,438,000, which is $344,000 above the allocation for the current year. The program areas for which these funds are requested are emergency transportation and industrial production, including field support provided by the Office of Emergency Readiness, as well as Census Bureau support to the National Resource Evaluation Center.

OFFICE OF EMERGENCY READINESS

The $256,000 requested for the Office of Emergency Readiness is for field support to the Office of Emergency Transportation and the Business and Defense Services Administration, neither of which has field units of its own. Field support is provided by regional emergency planning coordinators, located at each of the eight regional offices of the Office of Emergency Planning and the Office of Civil Defense. The regional coordinators work closely with the State task groups in the development of State plans for the management of transportation and production resources under the OEP comprehensive program.

The funds requested represent a net increase of $5,000 over the 1965 allocation. Increases totaling $25,000 provide for the full-year financing of one position reestablished this year, the conversion to full-time employment of two part-time regional secretaries, and additional travel funds and supplies, all needed in connection with the accelerated activity of the States in the comprehensive program. These increases are offset in part by a decrease of $20,000 in other services.

Assistance to the States is becoming increasingly important as the States become more actively involved in the development of their emergency readiness capabilities. This increased activity on the part of the States has been the direct result of the contract program administered by OEP which the Congress approved last year. While activity by itself does not indicate progress, a few statistics will give you an idea of our work with the States. Our regional coordinators, representing the Office of Emergency Transportation and the Business and Defense Services Administration, have so far this fiscal year worked with 34 States in the development of the transportation and production sections of their emergency plans through participation in over 130 task group meetings as well as numerous individual meetings with task group chairmen and State officials. Such participation is, of course, always at the invitation of the State people.

In addition, the regional coordinators assist in the executive reserve recruiting and training programs for the field units and assist the Commerce field units in their emergency readiness programs.

OFFICE OF EMERGENCY TRANSPORTATION

For the Office of Emergency Transportation we are requesting $200,000 which would continue this program at the fiscal year 1965 level. This office, which was established in May 1962, has been assigned responsibility for the development of a Federal emergency capability for the central rationing or allocating of large blocks of surviving transportation capacity in the event that the requirement for the movement of people and things exceeds our transportation capabilities.

One of the initial efforts of OET in response to this assignment was the development of a framework for the basic control systems. OET and the Federal transportation agencies have accomplished this, and the end product has been published as chapter 6 of the "National Plan for Emergency Preparedness" which was distributed in January of this year. We have now for the first time a Presidentially approved foundation upon which supporting programs can be built to produce the standby systems.

OET has begun the development of the allocation and priorities control systems outline in chapter 6 of the national plan. Toward this end OET is working with OEP on a supply-requirements study which will provide estimates of the supply of and demand for transportation capacity in the postattack period based upon assumptions jointly developed by the military and key nonmilitary agencies. This study will enable OET to develop realistic procedures for the postattack collection of requirements and for issuing allocations. These procedures will be incorporated in a transportation allocations and priorities control systems manual which will be issued to the operating and user agencies at the Federal, State, and local levels and to the transportation industry. This will be the first attempt to develop a coordinated emergency system for rationing transportation capacity which encompasses all modes of transportation.

A vital element of this system is a method for assessing the condition and availability of transportation resources following an attack. This damage assessment system must be developed in coordination with the five major Federal agencies assigned emergency responsibility for the various modes of transportation and with other Federal resource agencies. It must be also compatible with the procedures developed by NATO. Work has begun in this area and the objective is to get a tested system by the end of fiscal year 1967.

The wartime administration of the centralized rationing system will require a staff far exceeding that currently comprising the Office of Emergency Transportation. Consequently, OET has developed an organizational structure for both the national and field levels and a standby staff is being recruited from the ranks of the Federal service and from the transportation industry through the executive reserve program. Our objective in 1966 is the recruitment of additional qualified transportation executives and specialists as executive reservists, the development of job descriptions, and the continuance of a training program to insure a prepared and informed standby organization.

Now that the national plan has been issued establishing the broad outline of Federal and State emergency responsibilities and that the national level planning has progressed sufficiently, emphasis is being placed on the preparation of management and operating capabilities by the individual States and the transportation industry. While work was begun in this area in fiscal year 1963 at the inception of the OEP comprehensive program for the development of State plans, it was not until this year that OET was in a position to give each State the kind of guidance required to develop a plan for emergency transportation that would meet its requirements and be compatible with the national objectives. To date, 34 States have task groups composed of State officials and transportation executives working on these plans. It is our hope that, under the OEP contract program, all States will have completed and tested transportation plans by the end of fiscal year 1966.

### BUSINESS AND DEFENSE SERVICES ADMINISTRATION

The amount requested for the Business and Defense Services Administration for the industrial mobilization functions in fiscal year 1966 is $1,670,000. This is an increase of $88,000 over the allocation for fiscal year 1965 and provides for 12 additional man-years which will restore the man-years of employment to the 1964 level of 132. The increase of 12 man-years will provide: 1 man-year to revise, simplify, and maintain the defense materials system, 5 man-years to carry out its national stockpile activities and survival item programs, 2 man-years to meet the increased emphasis on the OEP comprehensive program, 2 man-years for the recruitment and training of additional executive reservists, and 2 man-years to complete the expanded "rough cut" feasibility study of industrial production. These increases are badly needed by the BDSA to carry out fully its industrial mobilization responsibilities.

The defense materials system operated by BDSA assures the ontime delivery of materials products and components to the Department of Defense, Atomic Energy Commission, and the National Aeronautics and Space Administration. In addition to this basic system of priorities, BDSA handles about 1,000 special assistance cases involving defense production scheduling and bottleneck-breaking problems related to matters of the highest national security programs. The number of such special actions is expected to remain at approximately the same level during fiscal year 1966.

BDSA's administration of the priorities and allocations authorities under the Defense Production Act is under continual scrutiny by the Joint Committee on Defense Production to which we submit quarterly reports on all of BDSA's mobilization functions.

The BDSA forms the nucleus of an organization which is prepared to operate an expanded priorities and allocations system in an emergency. To supplement this nucleus, particularly at the field level, BDSA has established a production unit of the national defense executive reserve and recruited nearly 1,500 of the required 2,000 industry executives. These reservists are given training both in Washington and in their local areas through work conferences conducted by members of the BDSA staff to prepare the reservists to carry out their assigned functions. Each reservist has signified his intention of being a full-time Government employee when necessary to meet emergency conditions.

To further assure the effective administration of an expanded defense production system in an emergency, BDSA has prepared and stores in 10 strategic locations throughout the country extensive industrial data which would be necessary for prompt and sound decisionmaking.

Another continuing program of the BDSA that is of significant importance is its advice and counsel to OEP on stockpile matters. This includes stockpile specifications, storage procedures, estimates of national essential mobilization requirements, availability of domestic materials to fulfill national programs,

industrial technology, and related matters. Current Government policy decisions regarding the establishment of a long-range disposal program of stockpile surpluses has resulted in intensive activity in this field. It will continue to be the BDSA's task to assess the impact on the market of proposed sales of a large number of items and to consult with industry to obtain its views.

BDSA is also responsible for detailed studies identifying and evaluating products and services important to our national security and survival and for identifying the important facilities upon which the production of these products and services depends. Nearly 100 such studies will be completed this year and analyses of some 100 manufactured products or groups of products are scheduled for fiscal year 1966.

Other mobilization programs which are of major importance and for which BDSA is responsible are detailed in the budget justification submitted to this committee. Included are matters relating to the measurement of the production capability and inventory availability of survival items, the conduct of supply-requirements studies under both conventional and nuclear war, and the program to assist the States in developing plans for management of production within each State in the event Federal authority is inoperable in an immediate post-attack period.

BUREAU OF THE CENSUS

We are requesting $312,000 for the Bureau of the Census to provide support to the National Resource Evaluation Center (NREC), which is an increase of $250,000 over the amount allocated to Census in fiscal 1965. This increase is for two new projects which have been previously requested of the Bureau by NREC but which have been postponed because of the lack of funds. The NREC, which is the computer facility used by Government agencies to develop information and analytical capabilities to meet their emergency resource management assignments, needs the Census projects to provide up-to-date information not now available.

The first new project will provide selected data for establishments classified as retail, wholesale, and public warehouses in the 1963 Business Census—a quintennial census. These data will provide for the first time information on inventories and sales on approximately 1.5 million wholesale, retail, and public warehousing firms and 280,000 small (less than 100 employees) manufacturing plants, a significant group of economic units that would be greatly relied on in an emergency because of the general accessibility to large numbers of people. The cost of this project is estimated to be $201,000 and will require 27.5 man-years of effort.

The second new project is to develop current interindustry relationship factors for the Program Analysis Resource Management (PARM) model using the 1963 economic census data. PARM is a computer program dynamic model of the U.S. economy which will enable NREC to measure the impact of an attack upon the economic resources of the country and to quickly yield essential information required in planning for recovery. The factors, or multipliers, which are currently in the program are based on 1958 data and are quite obsolete. It is hoped that this updated model when it becomes operational next year will have peace-time uses, as well as emergency uses, in such public programs as evaluating the economic impact of disarmament, economic significance of highway systems, and possibly the antipoverty program. The estimated cost for the development of these data is $43,000.

NREC has requested Census to undertake activities in two other areas on a continuing basis. The first is to continue the full-time assignment of two staff members to the Center at an estimated annual cost of $34,000, an increase of $3,000. One of the major factors in assigning these two Census Bureau personnel to the Center is to insure the confidentiality of Census-collected data in compliance with statutory requirements. The second project is to update annually the large manufacturing plant file with data from the 1963 annual survey of manufacturers. This project will cost an estimated $34,000, an increase of $3,000.

Mr. Chairman, these programs have been reviewed by both OEP and the Department and we believe them to be soundly conceived. We are making every effort to put to prudent use the funds that have been made available to us and to achieve the highest level of readiness possible in the programs we undertake.

Mr. Chairman, my associates, Mr. Bertsch, Mr. Faught, and Mr. Hill, and I shall be pleased to answer any questions that you may have regarding our programs.

Mr. KLOTZ. If you would like, I will summarize it.

Mr. GIAIMO. Give us some of the highlights. Without objection, we will do that.

Mr. KLOTZ. We are here to defend the budget request for the emergency preparedness programs assigned to the Department of Commerce under Executive Order 10999. Our request for fiscal 1966 is $2,438,000 which is an increase of $344,000 over the year before. Our objectives for fiscal 1966 as well as our accomplishments for fiscal 1965, I believe, are well documented in the budget justifications. Therefore, I would like to address my comments to the increases which we are requesting for the coming year. The first one is a small increase of $5,000 for the Office of Emergency Readiness.

Mr. GIAIMO. If I may interrupt you at this point, I think this would be a good point to put in the budget on pages 29 and 30 in the record.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES—STATEMENT OF MISSION

The President by Executive Order 10999 assigned to the Secretary of Commerce the responsibility for preparing national emergency plans and the development of preparedness programs covering:

The 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 for the determination of the proper apportionment and allocation of the total civil transportation capacity to meet overall essential civil and military needs. These responsibilities have been assigned to the Office of Emergency Transportation.

The development of the overall policies, procedures and organizational arrangements for the emergency management of the industrial resources and production of the Nation. These responsibilities have been assigned to the Business and Defense Services Administration.

The collection and reporting of census information on the status of human and economic resources, including population, housing, manufacturing, transportation, and governments, as required for emergency planning purposes. These responsibilities have been assigned to the Census Bureau.

*Financial and personnel summary*

[In thousands of dollars]

| Obligations and employment by activity | 1964 actual | | 1965 estimate | | 1966 estimate | | Change, 1965 compared with 1966 | |
|---|---|---|---|---|---|---|---|---|
| | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations |
| Office of Emergency Readiness | 16 | 202 | 18 | 251 | 19 | 256 | +1 | +5 |
| Office of Emergency Transportation | 13 | 189 | 11 | 199 | 11 | 200 | ..... | +1 |
| Business and Defense Services Administration | 120 | 1,600 | 120 | 1,582 | 132 | 1,670 | +12 | +88 |
| Bureau of the Census | 1 | 33 | 2 | 62 | 5 | 312 | +3 | +250 |
| Total | 150 | 2,024 | 151 | 2,094 | 167 | 2,438 | +16 | +344 |

Mr. GIAIMO. Proceed please.

Mr. KLOTZ. The request for the Office of Emergency Readiness, a total of $256,000, or an increase of $5,000, is to provide field support

to the Office of Emergency Transportation and the Business and Defense Services Administration in assisting the States to prepare their emergency transportation and production plans. This support is provided by eight regional emergency planning coordinators, and it is a support which is becoming increasingly important as the States become active in developing their own emergency readiness capabilities under the OEP contract program.

INCREASES REQUESTED

I would like to explain the nature of this $5,000 net increase. We are asking here first for $9,000, for full-year financing for a mobilization officer who is responsible for the Commerce Department's civil defense program. The position had to be cut off when our fiscal year 1964 allocation was reduced. Since then we have not been able to absorb the workload. Our civil defense plans have become somewhat obsolete and our organization has deteriorated to some extent as a result. Therefor, we need this position to be put on a full-time basis.

We are also asking for $5,000 to convert from part-time to full-time, two secretaries of the regional coordinators in regions 4 and 6. Region 4 is headquartered at Battle Creek, Mich., and comprises a total of five States. Region 6 is headquartered in Denver, Colo., and encompasses eight States which are very actively engaged in developing transportation and production plans. This activity has increased the workload of these regional emergency coordinators and their offices because they deal with as many as from three to six people in each State. When multiplying that by the number of States in which they operate, you can, I think, readily see the necessity for this additional staff.

Mr. GIAIMO. You are asking for an increase of one staff member in this section, Office of Emergency Readiness?

Mr. KLOTZ. One in each of the areas. Actually, we are asking here to convert two secretaries from part-time to full-time. That takes care of the $5,000 increase, and then we are asking for one full-time employee in the headquarters office here in Washington, a mobilization officer.

Mr. GIAIMO. Your overall employment will then be 19, is that right?

Mr. KLOTZ. Yes, sir. The total number will be increased from 18 to 19.

Mr. GIAIMO. Your total increase in personnel compensation is set out on page 35. Our estimate of that total increase is $16,000, is that correct?

Mr. KLOTZ. That is correct.

Mr. GIAIMO. Most of that is taken up by compensation increases and also the addition of one job plus the change in the two people which you are speaking of?

Mr. KLOTZ. That is right.

Mr. GIAIMO. Although you have an increase of $16,000 there, your overall increase in the budget is $5,000 which is reflected by the reduction of $20,000 in "Other services." Would you comment on the reduction?

Mr. KLOTZ. Could I first point out that the $5,000 and the $9,000 which we just described are supplemented by an additional $4,000

increase which is needed for pay raises for four of the regional export coordinators and five secretaries.

Then we are asking for an additional $6,000 for travel expenses and $1,000 for supplies. The total amount requested for travel and per diem averages only $260 per month for each of the regional emergency coordinators. Since each has five to eight States in his region, that is a fairly low figure.

You asked about the offset of $20,000 against the $25,000 increase. This $20,000 has been applied to "Other services." It was an amount originally allocated to the Commerce Department for the work of our regional emergency coordinators with the States in connection with the so-called comprehensive program. As we got further into the program we found that these funds were not needed, therefore, subsequent to the submission of our budget to Congress, the Office of Emergency Planning reprogramed the funds. They were not used by us.

Mr. GIAIMO. How do you get the $20,000 reduction?

Mr. KLOTZ. I would like Mr. Hill to respond to that.

Mr. HILL. The regional coordinators are part of my office. They work with the States on the OEP comprehensive program. We thought there would be activities that would be required in providing assistance to the individual State task groups, but we found that this was not the case.

Mr. GIAIMO. You found that they don't need them?

Mr. HILL. We did not need the funds and we turned them back.

Mr. GIAIMO. Very well, proceed, Mr. Secretary.

Mr. KLOTZ. So much for the Office of Emergency Readiness.

EMERGENCY TRANSPORTATION

The second item would be that shown on page 37 of the justifications, the Office of Emergency Transporation. For this Office we are requesting $200,000. That is essentially to continue the programs of the Office at the fiscal 1965 level. This Office was established in May of 1962 and it is responsible for the development of a Federal emergency capability for the central rationing and allocating of large blocks of surviving transporation capacity in an emergency, in the event that the requirement for the movement of people and things should exceed our capabilities.

Through the efforts of OET and the Federal transporation agencies, we now have for the first time a Presidentially approved foundation upon which supporting programs can be built and in order to produce a coordinated emergency system for allocating transporation capacity which would encompass all modes of transporation. Our objective here is to get a tested system by the end of fiscal 1967.

Mr. JONAS. Would you yield?

Does that include automotive transporation?

Mr. KLOTZ. Yes, sir; all modes of transportation.

Mr. JONAS. Restrictive use of privately owned automobiles?

Mr. KLOTZ. No, it does not include private automobiles.

Mr. JONAS. That is the best sources of travel, isn't it?

Mr. FAUGHT. This capability would be used in the civil defense survival activities. Our program does not encompass the considera-

tion of the allocation of the private automobile where moving essential civil or military goods.

Mr. JONAS. I do not quite understand how you are going to make it practical. What about airplane passengers? What is the capacity at any time in the future unless you continue to keep this on a continuing basis—constant upgrading of your material?

Mr. FAUGHT. That is correct. This is a continuing program. We have a small staff doing this work with 11 people involved in the Office of Emergency Transportation Activities. Part of this is a program for the allocation of aircraft to meet the military requirements, called the civil reserve air fleet program. Another program is the proposed allocation of aircraft to meet essential civil needs on airline routes. It is a continuing activity. The allocation of the aircraft to augment the MATS fleet is a continuing process based on the determination by the military as to the suitability of these airplanes.

Mr. JONAS. It looks to me as if the military would be better equipped than you to do that.

Mr. FAUGHT. This is a civil resource. There is a series of Executive orders which are monitored and coordinated by the Office of Emergency Planning covering the whole scope of central resource management and civil resource management. The civil reserve air fleet is a civil asset and resource and it would not be proper for the major claimant for transportation to be also an allocator of civil transportation capacity.

Mr. RICE. The original intent was to concentrate in the Office of Emergency Transportation the total coordinating support for all modes of transportation, both military and civil requirements in emergencies to make sure that there is balance between the military and the civilian, for one thing.

Mr. JONAS. Just common carriers?

Mr. RICE. All types of common carriers—water, rail, truck, air, the entire job.

Mr. JONAS. Thank you.

Mr. GIAIMO. You may proceed.

INDUSTRIAL MOBILIZATION

Mr. KLOTZ. Thank you. The third item is for the Business and Defense Services Administration. Here the amount requested for the industrial mobilization function is $1,670,000, or an increase of $88,000 over fiscal year 1965. This increase is intended to provide for 12 additional man-years. In other words, we are trying to restore our man-years of employment to the 1964 level of 132. That is outlined on page 55 of the justifications.

This increase will provide the following: One man-year for the administration of the defense materials system. We need to——

Mr. JONAS. May I interrupt you for a moment?

Mr. KLOTZ. Yes, sir.

Mr. JONAS. I understood you to say this increase was to restore to the level of 1964, but the table on page 30 shows you only had 120 in 1964.

Mr. KLOTZ. 1965.

Mr. JONAS. You had only 120 in 1965; 1964 actually was 120 and——

Mr. RICE. Actual employment as of the end of the year.

Mr. KLOTZ. You are talking about 1964 yearend-employment, as shown on the table on page 30, but my reference was to man-years.

Mr. JONAS. The table does not say anything about man-years. It says you want an increase——

Mr. KLOTZ. May I show you this table here, which shows 132 man-years of average employment in 1964.

Mr. GIAIMO. Under average employment, that means 132 man-years?

Mr. KLOTZ. Yes, sir.

Mr. JONAS. That is all.

Mr. GIAIMO. Go ahead.

Mr. KLOTZ. I was going to explain the individual increases that we request. One man-year is requested for the administration of the defense materials system. We need to revise and simplify the current system for the purpose of easing the industries' burden in conforming to it, without at the same time neglecting our capability to meet defense needs. This additional man-year will also permit a more effective, more efficient, and faster handling of the thousand requests that come in for special assistance which we receive from the Department of Defense, Atomic Energy Commission, NASA, for highest national priority programs. Three additional man-years are needed for our stockpile activities.

Mr. GIAIMO. You are addressing yourself, I think, to the chart on page 55?

Mr. KLOTZ. Yes, sir. We find that we will need and request 3 additional man-years for the stockpile activities in support of the Office of Emergency Planning. These are needed because of increased disposals of stockpile surpluses, and intensified reviews of existing needs. A new effort is essential to meet the demand of OEP and these additional man-years should permit the BDSA to stay abreast of its work in this area.

Two additional man-years are requested for survival items, reviews and surveys. With the recent issuance of current survival items listed by the Office of Emergency Planning and because industries' surveys of many items are now over 5 years old, it has become increasingly necessary to update the information and gather information on newly added items. There have been changes in economic activity, and a whole batch of new manufacturers; some producers have discontinued their activities and new survival products have emerged; all of this adds up to the fact that existing data are obsolete. We need to update our data and particularly do we propose to concentrate our efforts on pharmaceuticals, surgical items, and important chemical and miscellaneous items which are needed to sustain life in an emergency.

The next item is 2 man-years needed for support of the OEP comprehensive plan. As you know, the Federal Government is putting increased emphasis on preparing the 50 States for emergency operations. This is a program that is getting into high gear and intensified activity to take place in fiscal 1966.

We will work closely with the 50 State planning groups to assure effective and consistent State-Federal relationships. This program will vastly increase the Nation's capability of dealing with emergency production and distribution problems in the event of an emergency.

EXECUTIVE RESERVE

We are also requesting 2 additional man-years for our executive reserve activities. Our reserve, as you are well aware, represents a real and effective standby force of potential Government executives in the event of an emergency, ready to cope with emergency production problems.

As you know, our ultimate goal is to recruit about 2,000 of these reservists. Approximately 1,500 are presently on hand, and it is our objective during the coming fiscal year to expand the force to 1,700 and to improve our training efforts by dissemination of basic data, an increase of reservist meetings and so forth.

We will have organized local chapters of the reserve in nearly 20 areas by midsummer of this year. In each of these areas a minimum of two meetings per year will be held. I would like to make it quite clear that these reservists do not receive any per diem or travel allowances, although such payments are authorized under the Defense Production Act.

Mr. JONAS. They pay their own expenses?

Mr. KLOTZ. Yes, sir.

INDUSTRIAL EVALUATION BOARD

Finally, we are asking for an increase of 2 man-years for the Industry Evaluation Board and production capability studies. Our work in this area is to gather production information on facilities and products upon which the Nation will depend to fight a war or to survive and to restore the economy in an emergency. It is vital and important to us to intensify our efforts in that direction. Congress has repeatedly urged us to speed up the so-called rough-cut study of industrial production requirements after a nuclear attack. Working together with OEP and with the added application of 2 man-years of efforts, we should be able to progress substantially in this task.

That completes my explanation of increases requested for BDSA.

Mr. JONAS. You are asking for an $88,000 increase in your 1966 request of $1,670,000. All the increase is taken up by personal compensation and personnel benefits and also for the employment of 12 additional people, is that correct?

Mr. KLOTZ. That is correct.

Mr. JONAS. There are no other requests for "other objects" under BDSA activities?

Mr. KLOTZ. For increases?

Mr. JONAS. Yes.

Mr. KLOTZ. No, sir.

Mr. JONAS. Do you want to proceed then, to the Census Bureau?

BUREAU OF THE CENSUS

Mr. KLOTZ. Yes, sir. The Bureau of the Census has been an active participant in the damage assessment activities of the National Resource Evaluation Center. We are requesting $312,000 this year for the Census Bureau to provide further support to this Center. This is an increase of $250,000 over the 1935 allocation. This increase is a substantial one. It represents the bulk of the increases which we are requesting for the Department as a whole, and it is to provide for two new projects which we have previously requested but which we had to postpone twice because of lack of funds. The first project would provide selected data on inventories and sales on approximately 1½ million wholesale, retail, and public warehousing firms and 280,000 small manufacturing plants. This is a significant group of economic units, on which we would rely greatly in an emergency because of their general accessibility to the largest number of people.

The other project is intended to develop current interindustry relationship factors for the program analysis resource management model, using 1963 economic census data. It would enable NREC to measure the impact of an attack upon economic resources of the country and to quickly yield essential information which would be required in planning the recovery of the Nation. The factors, or multipliers you might call them, which are currently used are based on 1958 data and are quite obsolete. As you know, the NREC is the OEP computer facility used by Government agencies to develop information and analytical capabilities to meet emergency management resource assignments. We know that this is a substantial increase, but it is vitally needed to improve the information which is at hand and on which the NREC must rely in its computation.

Mr. GIAIMO. In the Bureau of the Census item on page 62, you have an increase of $5,000 for rents, communications, and utilities, and $3,000 for travel and transportation of persons. Would you briefly justify those increases?

Mr. KLOTZ. I would like Mr. Hill to handle that.

Mr. HILL. A lot of this work will be done in the Jeffersonville, Ind., office of the Census Bureau. This is a proportionate share of the cost of space that the Census Bureau rents there. The increase in travel will be used for the Washington-based specialists to go to Jeffersonville to work with the data they have there.

Mr. GIAIMO. Are there any general questions by members of the committee?

Mr. RICE. I would like to say one thing. Many of the things that Commerce does are geared to more than just a nuclear attack situation. They are geared for any kind of a national emergency. In the Office of Emergency Transportation, for example, they must be prepared to react to an emergency due to a major strike. It is more than just preparation for nuclear attack.

JUSTIFICATION MATERIAL

Mr. GIAIMO. We will proceed to the budget estimates.

We have already put in the chart on page 30 in the record. We will put in the record the budget by object class on page 31.

Page 32 on the statement of mission of the Office of Emergency Readiness; the first paragraph on page 33, fiscal year 1966.

We will include the three that are set forth there.

(The material follows:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

*Financial and personnel summary*

[In thousands of dollars]

| Obligations by object class | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 over 1966 |
|---|---|---|---|---|
| 11.0 Personnel compensation | $1,681 | $1,734 | $2,053 | +$319 |
| 12.0 Personnel benefits | 119 | 126 | 154 | +28 |
| 21.0 Travel and transportation of persons | 49 | 56 | 64 | +8 |
| 22.0 Transportation of things | 1 | 1 | 1 | |
| 23.0 Rents, communications, and utilities | 31 | 32 | 37 | +5 |
| 24.0 Printing and reproduction | 30 | 31 | 31 | |
| 25.1 Other services | 17 | 38 | 19 | −19 |
| 25.2 Services of other agencies | 84 | 62 | 62 | |
| 26.0 Supplies and materials | 10 | 12 | 15 | +3 |
| 31.0 Equipment | 2 | 2 | 2 | |
| Total obligations | 2,024 | 2,094 | 2,438 | +344 |

OFFICE OF EMERGENCY READINESS

STATEMENT OF MISSION

The President by Executive Order 10999 assigned to the Secretary of Commerce the responsibility for preparing national emergency plans and the development of preparedness programs covering transportation, industrial production, and the collection of reporting of census information. The Office of Emergency Readiness has been delegated the overall responsibility for initiation, development, coordination, and testing of the emergency readiness plans and programs of the Department as a whole and of its constituent agencies, including the Department's national defense executive reserve units, and assistance to the States in developing production and transportation emergency management plans under the OEP comprehensive program.

FISCAL YEAR 1966 OBJECTIVES

1. To continue to provide overall coordination of the Department's emergency preparedness programs.
2. To coordinate the further development of emergency measures for inclusion in the OEP Digest of Emergency Measures.
3. To provide assistance to the States in the further development and testing of State plans for the emergency management of resources in the fields of production and transportation.

Mr. GIAIMO. On page 35 you have the summary of activity of the Office of Emergency Readiness. We will insert that in the record.

(The page follows:)

OFFICE OF EMERGENCY READINESS

*Summary of activity*

[Dollar amounts in thousands]

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation: | | | | |
| Permanent positions | $158 | $175 | $196 | +$21 |
| Positions other than permanent | 10 | 17 | 12 | −5 |
| Other personnel compensation | 1 | | | |
| Total personnel compensation | 169 | 192 | 208 | +16 |
| 12 Personnel benefits | 12 | 15 | 17 | +2 |
| 21 Travel and transportation of persons | 18 | 19 | 25 | +6 |
| 24 Printing and reproduction | 1 | 1 | 1 | |
| 25 Other services | 2 | 23 | 3 | −20 |
| 26 Supplies and materials | | 1 | 2 | +1 |
| Total obligations | 202 | 251 | 256 | +5 |
| Year-end employment: | | | | |
| Full time, permanent | 11 | 12 | 14 | +2 |
| Part-time employment | 5 | 6 | 5 | −1 |
| Total | 16 | 18 | 19 | +1 |
| Average employment | 13.5 | 15.0 | 16.5 | +1.5 |

Mr. GIAIMO. You have the green sheets on page 36 which shows your employees and ratings of the 19 that you are asking for. We will insert that in the record.

(The page follows:)

OFFICE OF EMERGENCY READINESS

*Detail of personnel grades*

| | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Regional emergency planning coordinator | GS-15 | 8 | 8 |
| Mobilization-survival officer | GS-14 | 1 | 1 |
| Various, below GS-9: | | | |
| Permanent | | 3 | 5 |
| Other | | 6 | 5 |
| Total | | 18 | 19 |

Mr. GIAIMO. In the Office of Emergency Transportation, the statement of mission on page 37, we will put that one paragraph in the record.

(The information follows:)

OFFICE OF EMERGENCY TRANSPORTATION—STATEMENT OF MISSION

The Office of Emergency Transportation develops and coordinates overall policies, plans, and procedures for the provision of centralized control of all modes of transportation in an emergency for the movement of passenger and freight traffic of all types and for 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.

Mr. GIAIMO. On page 44, you set forth your budget by object classification for the Office of Emergency Transportation. We will put that in the record.

(The page follows:)

OFFICE OF EMERGENCY TRANSPORTATION

*Object classification*

[In thousands of dollars]

| Identification code | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Personnel compensation: | | | | |
| 11 Permanent positions | 141 | 141 | 145 | +4 |
| Positions other than permanent | 1 | | | |
| Special personnel service payments | 18 | 18 | 18 | |
| Other personnel compensation | 1 | 1 | 1 | |
| Total personnel compensation | 159 | 160 | 164 | +4 |
| Personnel benefits | 10 | 11 | 12 | +1 |
| 21 Travel and transportation of persons | 7 | 13 | 12 | −1 |
| 23 Rents, communications, and utilities | 5 | 5 | 5 | |
| 24 Printing and reproduction | 4 | 5 | 4 | −1 |
| 25 Other services | 3 | 3 | 2 | −1 |
| 26 Supplies and materials | 1 | 2 | 1 | −1 |
| Total obligations | 189 | 199 | 200 | +1 |
| Yearend employment | 13 | 11 | 11 | |
| Average employment | 12.7 | 11.0 | 11.0 | |

Mr. GIAIMO. On page 45, you have your 11 employees set forth. We will insert that in the record.

(The page follows:)

OFFICE OF EMERGENCY TRANSPORTATION

*Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Deputy director | GS–17 | 1 | 1 |
| Assistant director | GS–15 | 3 | 3 |
| Division chief | GS–15 | 1 | 1 |
| Assistant to deputy director | GS–14 | 1 | 1 |
| Secretary | GS–9 | 1 | 1 |
| Various below GS–9 | | 4 | 4 |
| Total | | 11 | 11 |

Mr. GIAIMO. Page 46, the Business and Defense Services Administration activity, statement of mission. We will put the first two paragraphs in the record.

(The material follows:)

BUSINESS AND DEFENSE SERVICES ADMINISTRATION
STATEMENT OF MISSION

The Business and Defense Services Administration has two basic and important defense and preparedness objectives under congressional mandate and by Executive order of the President. First: It is responsible for directing the administration of a current system of priorities and directives which is designed to assure the timely completion of current military, atomic energy, and space programs for production, construction, and research and development. This activity is carried out under the authority of title I of the Defense Production Act of 1950, as amended, and Executive Order 10480. Second: It conducts mobilization programs which will assure the readiness of the production resources of the Nation to meet the needs occasioned by any type of national

emergency, including nuclear attack. These responsibilities are carried out under Executive Order 10999. The Defense Production Act also provides the authority under which BDSA would, after appropriate determination by the President, allocate materials in the civilian market should certain specified conditions arise relating to the serious disruption of the economy resulting from defense procurement.

Under the authority of the Defense Production Act, the BDSA, as the production agency, can move promptly into such programs as are necessary to support any expanded military, atomic energy, or space procurement of production activity in order to assure, not only the achievement of maximum production of needed items for the military and the civilian economy in any emergency short of attack, but also to expand such programs so as to maximize production and meet the needs of the total economy in the event of a nuclear emergency.

Mr. GIAIMO. Page 48, there is some interesting material under the heading "Review of Stockpile Requirements." We will put those two paragraphs in the record.

(The material follows:)

REVIEW OF STOCKPILE REQUIREMENTS

Conventional war estimates for three materials considered for stockpiling are being completed for fiscal year 1965. Complete review of all stockpiled materials may be begun in fiscal year 1965 and continue through fiscal year 1966 when a Cabinet Committee group completes its examination of national stockpile policy.

In fiscal year 1966 all stockpile items are scheduled to be reviewed, based on nuclear war guidelines expected to be available in the beginning of the year. Approximately 50 reviews should be completed during the year. This extensive new workload will require the services of the additional 3 man-years proposed in the fiscal year 1966 request.

Mr. GIAIMO. Do you want to add anything to that, Mr. Secretary?

Mr. KLOTZ. I believe not. No, thank you. I believe that paragraph covers it pretty well.

DISPOSAL OF STOCKPILE MATERIALS

Mr. GIAIMO. Then on page 49 under "Disposal of Stockpile Surpluses." We will put that paragraph in the record.

(The material follows:)

DISPOSAL OF STOCKPILE SURPLUSES

In fiscal year 1965 much time was spent in interagency committees studying long-range disposal programs for major stockpile surplus items. In this work interagency study groups first prepare basic data analyses of each. These data are reviewed, disposal criteria are applied and recommendations for disposal guidelines submitted to OEP. Thereafter, by direction of OEP, plans are prepared by GSA and are discussed with producing and consuming industries by the BDSA. These discussions were the basis for 37 final recommendations forwarded to GSA regarding disposal plans. In addition seven recommendations for short-range disposal programs were prepared for GSA and OEP.

In fiscal year 1966 activity will continue at a high rate, involving 25 reviews of already established long-range disposal programs (which must be reexamined on an annual basis), completion of 10 more long-range programs for the remaining surpluses and preparation of 8 recommendations covering short-range plans.

Mr. GIAIMO. Can you tell us anything about that disposal of stockpile surpluses?

Mr. KLOTZ. Mr. Bertsch is well qualified to address himself to that.

Mr. BERTSCH. While we do not have direct jurisdiction over the disposal size of the stockpile, we are called upon under Executive

order and by the Office of Emergency Planning and by other agencies of the Government to study the effects of this disposal on our economy. Under the law, stockpile excesses cannot be disposed of when there is an undue market impact because of such disposition. With the increasing emphasis on disposal, because of the excesses that are in the stockpile, our studies have increased tremendously and will continue to increase.

We have Government estimates that some $400 million worth of stockpile excesses will be disposed of during this year and perhaps an equal amount next year. Our studies in this area are vitally important to the American business community, and the industrial community.

Mr. GIAIMO. You are concentrating on trying to dispose of some of these items?

Mr. BERTSCH. Very intensively.

Mr. JONAS. Would you permit an interruption?

Mr. GIAIMO. Yes.

Mr. JONAS. I would like to read the paragraph in the middle of page 49 in the record. If I have ever seen a clearer example of agency after agency chewing over the same material and overlapping activities, this one is it.

> In fiscal year 1965 much time was spent in interagency committees studying long-range disposal programs for major stockpile surplus items. In this work interagency study groups first prepare basic data analyses of each. These data are reviewed, disposal criteria are applied and recommendations for disposal guidelines submitted to OEP. Thereafter by direction of OEP, plans are prepared by GSA and are discussed with producing and consuming industries by the BDSA. These discussions were the basis for 37 final recommendations forwarded to GSA regarding disposal plans. In addition, seven recommendations for short-range disposal programs were prepared for GSA and OEP.

Mr. THOMAS. That covers the waterfront.

Mr. JONAS. Why can't you consolidate some of this activity? I guess the answer is that you have got to have these reviews by every agency of the Government that you can think of?

Mr. KLOTZ. If an agency——

Mr. THOMAS. When they get through they do not sell any.

Mr. JONAS. You have people crying for copper and crying for zinc and crying for every other thing that is in short supply, and the the Government has $8 or $10 billion worth of it.

Mr. KLOTZ. These agencies are performing different functions. GSA, for instance, depends on the——

Mr. JONAS. We know that GSA does, but your office is in it and BDSA and OEP and interagency committees. I don't see why it would take so many different committees to decide how big a stockpile we need or make arrangements to dispose of what is surplus.

Mr. GIAIMO. I think it should be well noted that many of the Members of Congress—not just the ones on this committee—would hope that even greater efforts would be made in not only studying this surplus problem but in getting rid of some of the surplus. Let us proceed to page 55. Funding and staffing pattern, to which you addressed remarks a few moments ago. We will insert that in the record.

(The page follows:)

FUNDING AND STAFFING PATTERN

An increase of $88,000 over the 1965 base is requested in fiscal year 1966 for emergency preparedness functions performed by BDSA. The additional funds provide an increase of $88,000 in personnel compensation and related benefit costs as explained in the preceding text. This will restore to the 1964 level the man-years of employment required to support the emergency preparedness function performed by BDSA.

| | Fiscal year 1965, total man-years | Fiscal year 1966, total man-years |
|---|---|---|
| Defense Materials System: | | |
| (a) Administration | 6 | 7 |
| (b) Special assistance | 17 | 17 |
| Stockpiling Support to OEP: | | |
| (a) Studies, plans, specs., etc | 27 | 30 |
| (b) Survival items program | 6 | 8 |
| OEP comprehensive program | 2 | 4 |
| Executive reserve activities | 11 | 13 |
| IEB and postattack capability | 26 | 28 |
| Mobilization plans, programs and procedures, and regionalization of records | 11 | 11 |
| Administrative support | 14 | 14 |
| Total | 120 | 132 |

BUSINESS AND DEFENSE SERVICES ADMINISTRATION

Mr. GIAIMO. Page 56. Summary of activity—Business and defense services administration, by object class. We will insert that in the record.

(The page follows:)

*Summary of activity, Business and Defense Services Administration*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | 1,325 | 1,328 | 1,407 | +79 |
| 12 Personnel benefits | 95 | 96 | 105 | +9 |
| 21 Travel and transportation of persons | 23 | 23 | 23 | |
| 22 Transportation of things | 1 | 1 | 1 | |
| 23 Rent, communications, and utilities | 26 | 26 | 26 | |
| 24 Printing and reproduction | 25 | 25 | 25 | |
| 25 Other services | 11 | 11 | 11 | |
| Services of other agencies | 84 | 62 | 62 | |
| 26 Supplies and materials | 8 | 8 | 8 | |
| 31 Equipment | 2 | 2 | 2 | |
| Total obligations | 1,600 | 1,582 | 1,670 | +88 |
| Yearend employment | 120 | 120 | 132 | +12 |
| Average employment | 132 | 120 | 132 | +12 |

Mr. GIAIMO. On page 57, you set forth grades of your employees. We will put that in the record.

(The page follows:)

BUSINESS AND DEFENSE SERVICES ADMINISTRATION

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

*Detail of personnel grades*

| | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Assistant Administrator for Industrial Mobilization | GS–17 | 1 | 1 |
| Industry specialist | GS–16 | 3 | 2 |
| Industry specialist | GS–15 | 14 | 15 |
| Priorities officer | GS–15 | 1 | 1 |
| Industry specialist | GS–14 | 19 | 19 |
| Statistician | GS–14 | 1 | 1 |
| Industry specialist | GS–13 | 13 | 13 |
| Industry specialist | GS–12 | 7 | 7 |
| Placement specialist | GS–12 | 1 | 1 |
| Budget analyst | GS–11 | 1 | 1 |
| Industry specialist | GS–11 | 7 | 7 |
| Management analyst | GS–11 | 1 | 1 |
| Program analyst | GS–11 | 2 | 2 |
| Industry analyst | GS–9 | 6 | 6 |
| Program analyst | GS–9 | 2 | 2 |
| Various | | 41 | 53 |
| Total | | 120 | 132 |

CENSUS BUREAU

Mr. GIAIMO. The Census Bureau, on page 58. We will put the first three paragraphs in the record.

(Page 58 follows:)

BUREAU OF THE CENSUS

STATEMENT OF MISSION

The preparedness responsibility of the Bureau of the Census is an extension of past Bureau activities in providing statistical services for defense mobilization. Such services range from collecting and compiling data through new surveys to special tabulations and analyses of data already collected.

Under Executive Order 10999, issued February 16, 1962, the Secretary of Commerce, among other things, is responsible for the collection and reporting of census information on the status of human and economic resources (including population, housing, agriculture, manufacturing, mineral industries, business, transportation, foreign trade, construction, and governments) as required for emergency planning purposes. Consistent with this responsibility the Bureau of the Census also plans for postattack surveys to provide information on surviving populations and resources.

The Bureau is one of the most important suppliers of basic information to the National Resource Evaluation Center. It collects and tabulates special data in addition to statistical information provided in the course of its regular work; and the technical staff of the Bureau acts in an advisory capacity to NREC, assisting them in the full use of census data and facilities.

Mr. GIAIMO. We will put the chart on page 62 in the record.
(The page follows:)

*Summary of activity*

[In thousands of dollars]

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1966 over 1965 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | 28 | 54 | 274 | +220 |
| 12 Personnel benefits | 2 | 4 | 20 | +16 |
| 21 Travel and transportation of persons | 1 | 1 | 4 | +3 |
| 23 Rent, communications, and utilities | | 1 | 6 | +5 |
| 24 Printing and reproduction | | | 1 | +1 |
| 25 Services of other agencies | 1 | 1 | 3 | +2 |
| 26 Supplies and materials | 1 | 1 | 4 | +3 |
| Total obligations | 33 | 62 | 312 | +250 |
| Yearend employment | 1 | 2 | 5 | +3 |
| Average employment | 3 | 6 | 39 | +36 |

Mr. GIAIMO. That shows your budget by object class. We will put the green sheet on page 63 in the record.
(The page follows:)

*Detail of personnel grades*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Statistician | GS-13 | 1 | 1 |
| Survey statistician | GS-12 | | 1 |
| Statistician | GS-9 | 1 | 2 |
| Various | GS-5 | | 1 |
| Total | | 2 | 5 |

Mr. GIAIMO. Thank you very much, gentlemen.
Mr. KLOTZ. Thank you, Mr. Chairman.

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## FEDERAL COMMUNICATIONS COMMISSION

### WITNESSES

**ROBERT BARTLEY, COMMISSIONER, FCC**
**CURTIS B. PLUMMER, EXECUTIVE DIRECTOR**
**RICHARD SOLAN, BUDGET OFFICER**

Mr. GIAIMO. We will proceed with the budget request of the Federal Communications Commission at this time.
Would you identify the people with you, Commissioner?
Mr. BARTLEY. I am Commissioner Bartley, and I have Mr. Plummer, our Executive Director, and Mr. Richard Solan, the Budget Officer, with me.

### GENERAL STATEMENT

Mr. GIAIMO. Do you have a prepared statement?
Mr. BARTLEY. Yes. I can make a brief statement based on the more lengthy statement we have in the budget.

Mr. GIAIMO. Why do you not submit your summary for the record and comment on it briefly?

Mr. BARTLEY. Yes, sir.

(Mr. Bartley's prepared statement follows:)

STATEMENT OF ROBERT T. BARTLEY, DEFENSE COMMISSIONER, FEDERAL COMMUNICATIONS COMMISSION, CIVIL DEFENSE AND DEFENSE MOBILIZATION ACTIVITIES

Thank you, Mr. Chairman; I'm glad to be here again.

Our part of this budget is $95,000 to cover a part of our responsibilities under Executive Order 11092, which are necessary to meet the requirements of OEP. This amount is needed to continue our staff of seven positions, travel, and other expenses as the headquarters office. The details of our total program for civil defense and defense mobilization are set forth in the document before you, starting on pag 64, and I won't go into them in detail here. You will note that our writeup also covers the activities relating to the emergency broadcast system (EBS), which are funded by OCD, Department of the Army, in the amount of $300,000.

Now, I would like to summarize briefly the activities to be covered by the $95,000, but I am available to answer questions you might have about the EBS program too.

One of our most important jobs is to develop a system of priorities for communications common carriers. We have been working with other Government agencies and the common carrier industry group in the development of such a priorities system for intercity private line service, and a recommended system is about ready to be submitted to the Commission.

Following that, they will submit a priorities system for telephone and TWX messages. During fiscal 1966 we hope to be able to put out rules finalizing these systems and establishing procedures for determining the priorities for communications by Government and industry groups. This has been a tremendous undertaking.

Another big job is the collection of data on our communications resources to update the data maintained in the master computer file at the National Resources Evaluation Center under OEP. At the present time this is limited to broadcasting and the communications common carriers, but in later years we will need to include all services licensed by the Commission. That will provide our Central Government civil defense establishment with a complete inventory of communication resources in the Nation. I feel that this is a very necessary file of information needed along with files on other resources such as food, electric power, and the like, supplied by other agencies. A complete inventory like this will provide the means by which we can estimate the extent of damage to communications by a nuclear blast.

Another area we hope to get into is that of claimancy. Our executive order makes us responsible for representing our licensees in an emergncy in claiming manpower, materials, and supplies from those cognizant agencies like Department of Labor, and BDSA of the Department of Commerce, so that the emergency communications systems may be kept in operation. Claimancy for the common carriers and the emergency broadcast system alone is a tremendous job, and we have a long way to go yet to set up a system for this activity.

Related areas are those of obtaining financial aid for our licensees and setting up a program for them to conserve, salvage, and rehabilitate supplies and equipment in order to permit the replacement of essential communication facilities after an attack.

We have made encouraging progress in developing an emergency broadcast system, but still need to work up plans for emergency communications in the aviation and maritime fields. Progress has been made in coordinating a SCATANA plan for the aviation industry, and we hope to start in the amateur field in 1966. We also intend to develop plans for the citizens radio services and the industrial, scientific, and medical devices covered by part 18 of our rules.

That just about covers our part of the program, except for the support we will be called upon to provide to the OEP comprehensive program. The biggest part of this program so far as the FCC is concerned is assistance in the development of an example State plan dealing with communication resources. This will serve as a guide to the States in building a system of communications to serve the needs of State and local government organizations in managing the remain-

ing resources in their jurisdictions to prevent loss of life and to permit rebuilding and rehabilitation after an attack.

You can appreciate that this is a very general summary of our entire program, and if you now have any questions I'll try to answer them, either now or later, as you prefer.

Mr. GIAIMO. You are asking for $95,000. Is that correct?

Mr. BARTLEY. That is correct.

Mr. GIAIMO. That is an increase of $15,000. You have seven employees and you are not asking for any increase there.

Mr. BARTLEY. That is right.

Mr. GIAIMO. Will you proceed from there?

Mr. BARTLEY. We just got started on this program actually last October when we signed the contract with the OEP, so we are beginning to get it off the ground. We just at this point have been able to implement the staff and start the new project.

Mr. GIAIMO. What is the new project?

Mr. BARTLEY. The preparedness program brought about by Executive Order 11092, delegating to the FCC the responsibility for preparedness in this area.

Mr. GIAIMO. Now the increase of $15,000 is all taken up by the $16,000 increase in personnel compensation and benefits, and then a reduction of $1,000 in travel and transportation of persons. Is that correct? And there is no request for an increase in any other item such as rent or equipment?

Mr. SOLAN. That is right.

Mr. GIAIMO. You are asking the same amount you asked for last year?

Mr. SOLAN. That is correct. As the Commissioner said, we will have the same number of employees, but we have not been fully staffed all year, and we will need the addition to cover the portion of the time they have not been on board this year.

Mr. GIAIMO. Are you getting the program off the ground and getting started toward your objective?

Mr. BARTLEY. We believe so.

Mr. GIAIMO. Do you want to comment briefly on that?

Mr. BARTLEY. The first and most immediate project we have undertaken is the development of a priority system, taking up from one quite old, developed, I think, about 1955, somewhere in there, and with the new developments in communications this requires immediate revision. We are working together with the Director of Telecommunications Management in this project. We are also calling upon the industry, the common carriers, to assist us in developing an appropriate priority system. This is in the private line area. We have not yet gotten into the public messages. This is going to be an extremely complicated project when we get into it, so it is going to take considerably more time.

That is the principal one we have been working on. Concurrently with it, we have set up industry advisory committees in each area of the Commission's activity. This being a new project for them, we are

actually at this moment trying to determine terms of reference that they and our people can use primarily for the purpose of giving them guidance in this area.

The other major change is in the feeding in of information to the evaluation center at OEP. We have only gotten the broadcast AM and FM up to date. We will now go into the other areas of the Commission's activity so that the computer there will then be able to reflect that back.

Mr. GIAIMO. If there are no questions by members of the committee, we will proceed to the budget estimate and requests.

We will put in the record pages 64 and 65, down to the 5-year program, and then we will put in page 78 where you have the budget by object class, and page 7 where you have a green sheet on your various grades.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

STATEMENT OF MISSION

The basic objective of the preparedness responsibility assigned to the Federal Communications Commission by the President in Executive Order 11092, succinctly stated, is to prepare national emergency plans and develop preparedness programs, subject to the policy guidance of the Director of the Office of Emergency Planning and in consonnance with national telecommunications plans and policies, covering provisions of service by communication common carrier. broadcasting facilities, and the safety and special radio services. These plans must also provide for assignment of radio frequencies to Commission licensees, and the protection, reduction of vulnerability, maintenance, and restoration of facilities operated by its licensees in an emergency .

The ultimate mission is to design such plans and programs to develop a state of readiness in the non-Government communication areas with respect to all conditions of national emergency, including attack upon the United States.

They must also take into account the possibility of Government preference or priority with common carriers or of exclusive Government use or control of communications services or facilities when authorized by law.

Other important missions, in consonance with national civil defense plans. programs, and operations of the Department of Defense under Executive Order No. 10952, include:

(1) Providing advice and guidance to achieve such industry protection as is necessary to maintain the integrity of the facilities and services provided by common carriers and radio station licensees, and promote a national program to stimulate disaster preparedness and damage control. The guidance developed shall include, but not be limited to, organizing and training facility employees, personnel shelter, evacuation and relocation plans, records protection, continuity of management, security, emergency repair and recovery of facilities, deconcentration and dispersal of facilities, and mutual aid associations for emergency.

(2) Maintaining a capability to assess the effects of attack on communication facilities and services subject to Commission regulation which are essential in a national emergency and to provide data to the Department of Defense.

The Commission is also responsible for fostering or conducting research in areas directly concerned with the Commission's emergency preparedness responsibilities.

*Financial and personnel summary*

| | 1964, actual | 1965 estimate | 1966, estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $14,648 | $62,990 | $77,990 | +$15,000 |
| 12 Personnel benefits | 1,035 | 4,010 | 5,010 | +1,000 |
| 21 Travel and transportation of persons | 317 | 4,000 | 3,000 | −1,000 |
| 23 Rent, communications, and utilities | 0 | 1,000 | 1,000 | |
| 25 Other services | 0 | 4,000 | 4,000 | |
| 26 Supplies and materials | 0 | 2,000 | 2,000 | |
| 31 Equipment | 0 | 2,000 | 2,000 | |
| Total obligations | 16,000 | 80,000 | 95,000 | +15,000 |
| Yearend employment | 1 | 7 | 7 | 0 |
| Average employment | 1.0 | 6.5 | 7.7 | 1.2 |

*Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Chief of Division | 14 | 1 | 1 |
| Electronic engineers | 13 | 3 | 3 |
| Various positions below GS-9 | | 3 | 3 |
| Total | | 7 | 7 |

Mr. GIAIMO. I have no further questions.
Are there further questions?
Mr. THOMAS. No questions.
Mr. GIAIMO. Thank you very much.

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## HOUSING AND HOME FINANCE AGENCY

### WITNESSES

**MORTON J. SCHUSSHEIM, ASSISTANT ADMINISTRATOR FOR PROGRAM POLICY**
**B. DOUGLAS STONE, DIRECTOR, DEFENSE PLANNING BRANCH**
**HERBERT G. PERSIL, BUDGET ANALYST**

Mr. GIAIMO. Mr. Schussheim, it is nice to have you here with us. Will you identify yourself and the other people with you for the record.
Mr. SCHUSSHEIM. Yes. I am Assistant Administrator for Program Policy of the Housing and Home Finance Agency. I have with me this afternoon B. Douglas Stone, who is head of the defense planning staff, and Mr. Herbert Persil, who is our budget analyst in the Office of the Administrator, Housing and Home Finance Agency.
Mr. GIAIMO. Mr. Schussheim, you are asking for $156,000 and 16 employees. That is an increase of $30,000?
Mr. SCHUSSHEIM. Yes.
Mr. GIAIMO. And six employees over last year?
Mr. SCHUSSHEIM. Yes.
Mr. GIAIMO. Do you have a statement you would like to submit at this time and briefly comment on it?

GENERAL STATEMENT

Mr. SCHUSSHEIM. Mr. Chairman, we have a brief statement we can submit for the record and then summarize.

Mr. GIAIMO. Fine.

(The statement follows:)

STATEMENT OF MORTON J. SCHUSSHEIM, ASSISTANT ADMINISTRATOR (PROGRAM POLICY)

EMERGENCY PREPAREDNESS FUNCTIONS

I am grateful for this opportunity to appear before you on behalf of the request for appropriations to support emergency preparedness functions for fiscal year 1966.

The emergency responsibilities of the Housing and Home Finance Agency cover the development of programs for the provision of emergency housing and related community facilities with respect to all conditions of a national emergency including attack on the United States. In addition, we are required to provide technical guidance for and cooperation with State and local governments in the development of their plans for the provision of emergency housing in a national emergency.

In keeping with the intent of Congress, we have absorbed in our day-to-day operations much of the cost of the preparedness program. The additional funds requested here are for those responsibilities which cannot be fitted into our on-going program.

Our readiness posture includes more than plans and programs; we must be prepared to adapt our staff and organization quickly from its peacetime responsibilities to the implementation of emergency wartime programs.

We have developed basic national policies and operating procedures for most of our assigned responsibilities. We have reached the point in the development of our emergency programs where emphasis can be shifted from the preparation of national plans to the training of our field personnel in the use of these plans, and to the cooperation with State and local governments in the development of supporting plans for emergency housing. The purpose is an organizational arrangement which would become operative at once upon declaration of a national emergency with a capability for effective execution of these plans.

Thus the emphasis of our program during fiscal year 1966 is directed toward these objectives so that the field staff will be in maximum readiness, and so that the plans of State and local governments will be fully developed and complementary to our plans and programs.

Under the overall guidance of the Office of Emergency Planning, more than one-half of the States have established organized working groups of leaders in the fields of housing construction, management, mortgage banking, and city planning, together with State and local government officials, who are proceeding to develop specific plans to conserve and manage the Nation's housing resources in a war emergency. Our field people are called upon to work frequently with these groups with respect to emergency housing and have made available to them the following guidance materials:

1. Organization of local emergency housing offices.
2. Emergency repair of damaged housing.
3. Emergency conversion of nondwelling structures for dwelling use.
4. Use of existing stocks (dealer inventories) of tents and trailers in a housing emergency.
5. Construction of temporary emergency (barracks type) housing.
6. Repair and construction of emergency community facilities.
7. Management of emergency housing.

Up to this date, 22 States have established target dates for the completion of the first drafts of their respective State emergency housing plans. Six of these States have sent in the first drafts of their plans. These States are Maryland, Nebraska, North Dakota, South Dakota, Arizona, and Washington.

Mr. SCHUSSHEIM. Our main responsibility is in connection with housing and community facilities. We have gone through several stages already in our defense planning effort. We have worked at the

national level on plans and programs, and our staff, under the very able Douglas Stone, has prepared a series of guidance materials for our own people, our own organization, and these are now being made available to State and local groups.

Our main effort in the coming fiscal year will be to expand our work in connection with the housing task forces set up at the State level, and we hope also to work with a number of the larger cities.

Mr. GIAIMO. Who mans the positions at the State level and in these larger cities?

Mr. SCHUSSHEIM. These task forces are set up at the State level, and they consist of industry people primarily, people from the real estate industry, from mortgage banking, from the construction field, and people from the labor unions. These are, in effect, working committees of people appointed by the Governor in each State who have know-how in the field of housing.

REQUESTED INCREASES

Mr. GIAIMO. Why do you need six more people?

Mr. SCHUSSHEIM. Our principal need here, if we are going to do our job with the States, is to increase the number of full-time people. You know we have six regional offices around the country, and we now would like to have a full-time man to work on this with the States.

Mr. GIAIMO. You need an additional full-time man in each regional office?

Mr. SCHUSSHEIM. Actually, we would only need, I believe, five additional men.

Mr. GIAIMO. Let me ask you this question: Do you have one man in each regional office at the present time?

Mr. SCHUSSHEIM. We have a man in each office but he is not full time.

Mr. GIAIMO. He is not full time?

Mr. SCHUSSHEIM. That is right. We have three offices in which the men work, in many cases, less than half time.

Mr. GIAIMO. And the other part of their work is with some other agency of the Government?

Mr. SCHUSSHEIM. With our own agency, the Housing and Home Finance Agency, such as market analysts and regional economists.

Mr SHIPLEY. Will the gentleman yield?

Mr. GIAIMO. Mr. Shipley.

FUNCTION OF REGIONAL SPECIALIST

Mr. SHIPLEY. What is a "defense planning specialist?"

Mr. STONE. The people we have just been talking about in each region, one in each region.

Mr. SHIPLEY. What do they do? How much background do they have?

Mr. STONE. First they have to know about housing. Secondly, they need to know about emergency programs of the OEP and the OCD. Third, they need to be able to pass this information on in a usable form to the people in the region on our own regional staff, and the people at State level and at city level.

Mr. SHIPLEY. Who will fill the jobs?

Mr. STONE. We fill them with people—we would transfer people from some other job and fill that job with somebody else.

Mr. RICE. May I say that the important knowledge is housing, because in each of the States, as you gentlemen know, there are task forces for each resource area—construction, housing, so forth. You need subject matter specialists to work with their private sector counterparts.

Mr. GIAIMO. The $30,000 increase you are asking is totally consumed by personnel compensation and personnel benefits?

Mr. SCHUSSHEIM. Yes.

Mr. GIAIMO. So you are asking for no increase in any "Other objects" of the budget. Is that correct?

Mr. SCHUSSHEIM. That is correct.

Mr. GIAIMO. Are there other questions?

If not, we will proceed to the budget estimate and justifications.

We will put in pages 80 and 81, down to the 5-year program, and we will put in the budget by objects and class on page 84, and the green sheet on page 85 which sets forth your grades.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

STATEMENT OF MISSION

The basic purpose of the emergency functions of the Housing and Home Finance Agency is to prepare and maintain plans, programs, organization, and capability at Federal, State, and local government levels to provide reasonable assurance that in a national emergency minimum housing will be available for those persons displaced under preattack conditions, and for the population postattack.

In support of this basic objective it is necessary to prepare for—

1. The housing of all persons who may be displaced from their homes during or immediately following an attack. This will be done by maximum utilization of the housing which remains in a usable condition after an attack, the use of existing stocks of tents and trailers, and the use of other structures which can be converted quickly to use for human habitation, including public and private fallout shelters.

2. The relief, as soon as possible, of overcrowded conditions and health and morale hazards which might result from the actions taken under item No. 1 (above) during a period when the major object is the survival of the population. This would be done by the use of housing which would become available as a result of the decay of radioactive fallout, the erection of emergency housing structures, and the repair of damaged housing.

3. The rebuilding of communities and housing on a permanent basis after danger of attack has passed.

The need for emergency housing, in the event of a nuclear attack, would arise in particular communities because of housing destruction, damage, or denial within the locality or because of population shifts from other areas. There would be an immediate loss of significant portions of the housing supply through destruction or damage by fire and blast, or flood, and through denial of use by radioactive fallout. Population shifts would include the directed movement of civil and military personnel as well as the movement of surviving population from damaged or contaminated areas.

The housing needs thus created would, to the extent possible, be met initially through intensive use of existing habitable structures under the emergency billeting process. The period of time displaced persons could be housed in existing structures on a billet basis, however, would be limited because of health and morale problems. Therefore, the need may arise almost immediately to create additional housing through the use of tents and trailers in inventory, conversion of nondwelling structures to dwelling use, repair of damaged housing, and construction of new barrack-type structures. In the immediate postattack period this would have to be done by local and State govern-

ments with the materials, equipment, and manpower available. Although there are many variables involved, it is reasonable to assume that some time would elapse before the Federal Government could become effective in providing assistance and direction.

Building materials, supplies, equipment, and manpower would be under tight controls and housing construction would be limited to austere plans.

*Financial and personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $103,230 | $102,000 | $131,000 | $29,000 |
| 12 Personnel benefits | 7,420 | 7,000 | 8,000 | 1,000 |
| 21 Travel and transportation of persons | 4,940 | 11,000 | 11,000 | ---------- |
| 22 Transportation of things | 65 | ---------- | ---------- | ---------- |
| 23 Rent, communications, and utilities | 2,480 | 2,000 | 2,000 | ---------- |
| 24 Printing and reproduction | 1,035 | 1,000 | 1,000 | ---------- |
| 25 Other services | 1,350 | 1,000 | 1,000 | ---------- |
| 26 Supplies and materials | 900 | 1,000 | 1,000 | ---------- |
| 31 Equipment | 580 | 1,000 | 1,000 | ---------- |
| Total obligations | [1] 122,000 | 126,000 | 156,000 | 30,000 |
| Yearend employment | 10 | 10 | 16 | 6 |
| Average employment | 9 | 10 | 13 | 3 |

[1] Does not include $11,090 absorbed from other amounts available to the Agency.

*Detail of personnel grades*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Civil defense planning specialists | 14 | 3 | 8 |
| Analytical statistician (NREC) | 13 | 1 | 1 |
| Program analyst | 12 | 1 | 1 |
| Various | ---------- | 5 | 6 |
| Total | ---------- | 10 | 16 |

Mr. GIAIMO. Thank you very much, gentlemen.

Mr. SCHUSSHEIM. Thank you.

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## DEPARTMENT OF THE INTERIOR

### WITNESSES

SIDNEY D. LARSON, DIRECTOR OF THE BUDGET, OFFICE OF THE SECRETARY

FRED P. HOBART, DEFENSE COORDINATOR

LESLIE N. JOCHIMSEN, ADMINISTRATOR, DEFENSE ELECTRIC POWER ADMINISTRATION

ONNIE P. LATTU, DIRECTOR, OFFICE OF OIL AND GAS

WILLIAM E. S. FLORY, DIRECTOR, OFFICE OF MINERALS AND SOLID FUELS

DALE L. ROTHROCK, FINANCE OFFICER, OFFICE OF THE SECRETARY

### GENERAL STATEMENT

Mr. GIAIMO. Will you identify yourself and those with you for the record please?

Mr. LARSON. Mr. Chairman, I am Sidney Larson, Director of the Budget. Secretary Beasley expressed his regret that he was not able to make it and asked me to file his statement, which I would like to do, with the chairman's permission.

Mr. GIAIMO. Very well.

(Mr. Beasley's statement follows:)

STATEMENT OF D. OTIS BEASLEY, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF THE INTERIOR

The estimate of $450,000 for the Department of the Interior for the fiscal year 1966 is an increase of $126,500 over the estimated amount available for the current year. It provides for the implementation of the responsibilities assigned to the Department by Executive Order 10997, regarding emergency plans and preparedness programs covering electric power, petroleum and gas, solid fuels and minerals.

These plans and programs being developed and implemented in the above fields are designed to provide a state of readiness in these resource areas with respect to all conditions of national emergency, including attack upon the United States.

The Executive order provides that "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 the Interior on the basis that it will have the responsibility for carrying out such programs during an emergency."

Basic mobilization planning in Interior's assigned activities on the Federal level is largely complete and is formally recorded in chapters 10 and 11 of the National Plan for Emergency Preparedness. Necessary now is the carrying of these plans to OEP regions and to the States in order that actions on those levels will be coordinated with national plans. Also, it is necessary to implement to the extent possible the plans developed with the industries with which we deal. The industries concerned—electric power, petroleum and gas, solid fuels and minerals—spread throughout all sections of the United States. They must receive information on national policies, definite plans and should take actions now to minimize the effects of an attack on this country.

In addition to the above, the Department of the Interior, under a redelagation of authority from the Department of Agriculture contained in defense food delegation No. 2, revision 1 (16 F.R. 2369 No. 55), is delegated responsibility for the production and processing of fishery commodities and certain claimant functions. The Secretary of the Interior has vested the responsibility for mobilization planning contained in the redelegation to the Bureau of Commercial Fisheries.

The three specific defense activities provided for in this estimate which are over and above these operating with regular Interior funds are as follows:

| | |
|---|---|
| Defense Electric Power Administration | $77,600 |
| Office of Oil and Gas | 203,400 |
| Office of Minerals and Solid Fuels | 169,000 |

There follows a brief explanation of the activities and needs under each of these activities:

DEFENSE ELECTRIC POWER ADMINISTRATION

The estimate for the Defense Electric Power Administration is $77,600 and provides for four field men with operating expenses, or an increase of one employee and $20,700 over fiscal year 1965.

The Defense Electric Power Administration has developed a comprehensive operational plan for the electric power industry in time of an emergency. No additional planning is needed except to keep the plan current with new development and overall concepts as developed by the Office of Emergency Planning, such as, compatibility with State plans involving emergency management of resources.

The DEPA organization is made up of more than 1,000 electric power industry men in a standby organization which when completely organized will have more than 3,000. There are presently 52 WOC's serving as an executive cadre throughout the Nation prepared to head this standby organization in an emergency. The electric industry is composed of 3,617 utilities connected by more than

400,000 miles of interconnected lines integrated with power pools generation plants, substations constituting a nationwide network.

The one remaining need is to be sure all electric utilities adopt and actively participate in the plan. Their full support can only be secured by making individual calls upon them. In order to adequately cover the country four fieldmen are urgently needed.

OFFICE OF OIL AND GAS

The estimate of $203,400 is $72,200 more than the amount available for the fiscal year 1965. These funds are needed to bring the regional offices up to full strength. There are three remaining offices of the eight to be staffed and activated—region I (Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey); region IV (Minnesota, Wisconsin, Michigan, Illinois, Indiana) and region VIII (Montana, Idaho, Oregon, Washington) and $64,500 of the $72,200 is for pay and personnel benefits for the three regions. The remaining $7,700 is for other object classes covering the three regions, and includes very modest increases in operating funds for the existing five regions due to rising costs of communications, printing, supplies, etc. The budget increase will also permit an increased emphasis upon the recruitment of petroleum and gas executive reservists to improve the operating capability of the standby emergency.

The staffing of all eight regions is essential if we are to carry out our designated obligations and responsibilities to assist State, city, and local governments to plan and test programs for the emergency management of petroleum and gas resources. We have diligently tried for several years to cover these three regions with existing staff. It has not proved workable or successful and has left these regions seriously lagging in readiness.

Once all eight regions are staffed, our costs for this field activity will stabilize. Our program will then move ahead at a pace assuring a satisfactory state of readiness which will be consistent with recommendations of petroleum and gas industry leaders and the Office of Emergency Planning.

OFFICE OF MINERALS AND SOLID FUELS

The estimate of $169,000 is $43,500 more than the amount available for fiscal year 1965. This increase in funds will provide for three additional positions—two professionals, one each in the minerals and solid fuels areas, and one secretary. These positions are urgently needed to strengthen the staff and increase the rate of accomplishment toward overcoming existing deficiencies and to keep mobilization planning activities in the minerals and solid fuels areas current. The budget increase will permit emphasis to be placed on the following particular programs.

Recruitment for the minerals and solid fuels units of the national defense executive reserve must be accelerated to complete the planned complement of reservists who will occupy key positions in the emergency minerals and solid fuels administrations which we expect to establish shortly. Funds are needed for travel to recruit additional reservists to fill these complements. The reservists who have been appointed to date have been assigned to specific locations in the field. However, only 54 percent of the mineral reservists and 29 percent of the solid fuels reservists of the respective complements have been attained.

An intensive training program is essential since none of the reservists have had any indoctrination in program revisions which have taken place since the Cuban crisis, and many of the reservists have never received any training. It is necessary to bring both newly recruited reservists and those already on the rolls together to participate in exercises in solving problems and implementing preparedness measures in order to prepare them for the duties they would be expected to perform in an emergency and to maintain the reservists' interest in the program. The reservists must be kept abreast of the status of mobilization planning and changes in Federal procedures if they are to operate effectively in an emergency.

The additional funds will also provide for travel in connection with the continuing negotiation of agreements between the Department and the States on the operation of the emergency plan for solid fuels. These agreements are of prime importance to insure that supplies of solid fuels are available for civilian survival and essential uses in a defense emergency.

The task groups appointed by the States to develop plans for the emergency management of solid fuels under the OEP comprehensive program for the emergency management of resources will continue to need assistance in preparing their plans. Many of the executive reservists are now assisting the States, but from time to time it will be necessary for staff of the Office of Minerals and Solid Fuels to provide guidance, particularly in the initial phases of the plans, to insure that the State plans are coordinated with Federal plans of operation in an emergency. A small part of the funds requested will provide for travel in this connection.

INCREASES REQUESTED

Mr. GIAIMO. In 1966 you are asking for $450,000, which is an increase of $126,500 over what you had in 1965. You are asking for 10 more positions, 31 in all. Will you comment on the reason for the increase in the positions?

Mr. LARSON. Yes, sir. First, in the Office of the Secretary we would absorb the cost fully, in our budget.

In Defense Electric Power Administration there is need for one additional position to fulfill their complement in the field, at a cost of $77,600, an increase of $20,700, including travel and other expenses.

With regard to the Office of Oil and Gas, there are three additional areas that need to be staffed in the OEP regions, for an increase of six positions and an increase of $72,200.

In the Office of Minerals and Solid Fuels, which is located in Washington, all of the personnel are in Washington. It is staff work related to the critical minerals and solid fuels regarding the preparedness program, which involves the increase of three positions and an increase of $43,500.

Mr. GIAIMO. Why do you have a substantial increase of $18,500 under "Travel and transportation"?

Mr. LARSON. Most of this work is being done in the field and would therefore involve the additional travel cost. These people have need to contact a wide field of operations, and therefore these funds are needed for these expenses.

Mr. GIAIMO. Do you want to comment briefly on what you are doing toward accomplishing your mission?

Mr. LARSON. Mr. Chairman, I would like to refer that directly to those responsible that have the full knowledge, if you do not mind.

Mr. GIAIMO. How many of them are there?

Mr. LARSON. We have three.

DEFENSE ELECTRIC POWER

Mr. JOCHSMSEN. In the Defense Electric Power Administration, our request for one more man, which would give us four, is because of the desire to be able to call upon the various utilities throughout the United States and get them to participate in a plan which has been made. We are not any longer trying to develop a plan. We do have a very acceptable plan for the industry, but it does take a personal call upon these people, individually, on the various utilities to encourage them to go along with making these preparations. It is somewhat like a chain, the power industry, being interconnected as it is. If, for instance, four companies do planning well but one does not, it

breaks the chain and makes it less effective as far as what the four have done. It is our effort to try to get everyone to follow along.

I would say our plan is well accepted by the industry and those that have actively participated in it and have defense coordinators in their systems have made a great deal of progress in this. They highly recommend it to the rest of them. But it is up to us to call on them. I think we are coming along fine.

We have a tremendous number of utilities, 3,617 separate utilities in the United States. It is not our intention, obviously, to be able to call on all of them in a year. That is impossible. But as we come along I think we can eventually cover them. We have covered probably 300 or better in the past year. We attend meetings where we are able to contact many of them at a time. Generally speaking, I think we have made very satisfactory progress.

OIL AND GAS

Mr. GIAIMO. The Office of Oil and Gas.

Mr. LATTU. We have five of the regions covered, and we are asking for the increase to cover the other three regions which are not covered today.

The request also provides funds for transportation for these people. We have done a lot of work this year. The National Petroleum Council has assisted us in many studies, helping us to get our operating manuals together and in making reports. We have followed through on these recommendations, and just last Thursday we reported what we had done in the last 6 months to bring them up to date on their recommendations.

We recruited up to 195 active reservists, where last year we had 151. Last fall I participated personally at Denton, Tex., in one of our training exercises where we had 70 people. We had another exercise at Battle Creek, Mich. We hope to have another one in June. I have been urging all the oil industry people to take a more active interest in planning and assisting us in recruiting. I think we have done a lot in the last 6 months and hope to have a great deal of progress next year.

Mr. GIAIMO. Fine. We will hear briefly from the Office of Minerals and Solid Fuels.

Mr. FLORY. We are approximately on schedule for our part of the OEP programs dependent on interagency action, and the timetable is being met in all other phases of the program.

We are asking for one additional minerals professional man and one additional solid fuels professional man, and a secretary for next year to meet the demand on us for the supply estimates for nuclear war, which will be coming along around the first of the year and to meet the anticipated activity in setting up solid fuels task forces in the States. By July 1 we also expect to have the approval for the new Emergency Minerals Administration and the new Emergency Solid Fuels Administration. Our task will be to organize them, staff them, and train the executive reserves for those positions.

Mr. GIAIMO. Thank you. Are there any general questions?

If not, we will proceed to the justifications. We will put the statement of mission on page 105 and the budget on page 106 in the record.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

The assignment by Executive Order 10997 of nonmilitary defense mobilization responsibilities to the Department of the Interior provides that Interior shall, consistent with the policy direction of the Office of Emergency Planning, prepare national emergency plans and develop preparedness programs covering: (1) electric power, (2) petroleum and gas, (3) solid fuels, (4) minerals.

These plans and programs being developed and implemented in the above fields are designed to provide a state of readiness in these resource areas with respect to all conditions of national emergency, including attack upon the United States.

The Executive order provides that "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 the Interior on the basis that it will have the responsibility for carrying out such programs during an emergency."

Basic mobilization planning in Interior's assigned activities on the Federal level is largely complete and is formally recorded in chapters 10 and 11 of the "National Plan for Emergency Preparedness." Necessary now is the carrying of these plans to OEP regions and to the States in order that actions on those levels will be coordinated with national plans. Also, it is necessary to implement to the extent possible the plans developed with the industries with which we deal. The industries concerned—electric power, petroleum and gas, solid fuels, and minerals—spread throughout all sections of the United States. They must receive information on national policies, definite plans and should take actions now to minimize the effects of an attack on this country.

In addition to the above, the Department of the Interior, under a redelegation of authority from the Department of Agriculture contained in defense food delegation No. 2, revision 1 (16 F.R. 2369 No. 55), is delegated responsibility for the production and processing of fishery commodities and certain claimant functions. The Secretary of the Interior has vested the responsibility for mobilization planning contained in the redelegation to the Bureau of Commercial Fisheries.

*Financial and personnel summary*

| | 1964 actual | | 1965 estimate | | 1966 estimate | | Change, 1965 compared with 1966 | |
|---|---|---|---|---|---|---|---|---|
| | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations |
| Obligations and employment by activity: | | | | | | | | |
| Office of the Secretary | 1 | $19,998 | 0 | $9,900 | 0 | ---------- | 0 | −$9,900 |
| Defense electric power | 1 | 19,780 | 3 | 56,900 | 4 | $77,600 | +1 | +20,700 |
| Office of Oil and Gas | 8 | 95,972 | 10 | 131,200 | 16 | 203,400 | +6 | +72,200 |
| Office of Minerals and Solid Fuels | 7 | 99,450 | 8 | 125,500 | 11 | 169,000 | +3 | +43,500 |
| Total | 17 | 235,200 | 21 | 323,500 | 31 | 450,000 | 10 | 126,500 |
| Obligations by object class: | | | | | | | | |
| 11.0 Personnel compensation | ---------- | 195,637 | ---------- | 261,500 | ---------- | 355,400 | ---------- | +93,900 |
| 12.0 Personnel benefits | ---------- | 14,675 | ---------- | 19,900 | ---------- | 25,800 | ---------- | +5,900 |
| 21.0 Travel and transportation of persons | ---------- | 9,113 | ---------- | 20,500 | ---------- | 39,000 | ---------- | +18,500 |
| 22.0 Transportation of things | ---------- | 586 | ---------- | 1,000 | ---------- | 1,000 | ---------- | ---------- |
| 23.0 Rent, communications, etc | ---------- | 2,928 | ---------- | 3,700 | ---------- | 6,900 | ---------- | +3,200 |
| 24.0 Printing and reproduction | ---------- | 3,330 | ---------- | 4,100 | ---------- | 6,200 | ---------- | +2,100 |
| 25.1 Other services | ---------- | 4,454 | ---------- | 3,500 | ---------- | 4,500 | ---------- | +1,000 |
| 25.2 Services of other agencies | ---------- | 2,940 | ---------- | 5,000 | ---------- | 5,400 | ---------- | +400 |
| 26.0 Supplies and materials | ---------- | 1,181 | ---------- | 2,100 | ---------- | 3,200 | ---------- | +1,100 |
| 31.0 Equipment | ---------- | 356 | ---------- | 2,200 | ---------- | 2,600 | ---------- | +400 |
| Total | ---------- | 235,200 | ---------- | 323,500 | ---------- | 450,000 | ---------- | +126,500 |

Mr. GIAIMO. The Office of the Secretary shows a reduction of $9,900.

We will put in pages 108 and 109.

(The pages follow:)

*Summary of Office of the Secretary*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11.0 Personnel compensation | $18,585 | $9,200 | | −$9,200 |
| 12.0 Personnel benefits | 1,280 | 700 | | −700 |
| 21.0 Travel and transportation of persons | | | | |
| 23.0 Rent, communications, and utilities | | | | |
| 24.0 Printing and reproduction | 96 | | | |
| 25.1 Other services | | | | |
| 25.2 Services of other agencies | 32 | | | |
| 26.0 Supplies and materials | 5 | | | |
| 31.0 Equipment | | | | |
| Total obligations | 19,998 | 9,900 | | −9,900 |
| Yearend employment | 1 | 0 | 0 | |
| Average employment | 1 | 0 | 0 | |

STATEMENT OF MISSION

*(a) Defense Electric Power Administration, $77,600*

The Secretary of the Interior has been delegated the primary responsibility by Executive order for providing electric power to meet essential needs in periods of increased international tension, and in limited or general war. To carry out such a mission, the Secretary of the Interior has caused to be effected specific policies, plans, organization, and procedures. In consequence the Defense Electric Power Administration has been established with emergency authority to become operative under an Administrator, a member of the staff of the Assistant Secretary for Water and Power Development, upon a declaration of a civil defense emergency or upon attack. The Defense Electric Power Administration is staffed, in the majority, by appointees who are now engaged in the electric power industry and serve without compensation under provisions of the Defense Production Act. Others are full-time employees of Federal agencies engaged in operation of electric power systems.

Electric power generating plants are dispersed throughout the Nation. Generating plants of an electric operating utility are usually connected by transmission lines and operated as an integrated system. In turn, two or more utility systems may be interconnected. In many cases, several interconnected systems may operate as a power pool.

The service area of a utility, interconnected system, or power pool, is largely determined by the location of the load (population and industry) and economy in generation. Thus, such areas frequently do not coincide with local, State, or Federal regional jurisdictions.

In the event of a nuclear attack many electric power generation plants, substations, distribution systems, and transmission networks would be destroyed and damaged. These losses could be offset in part by reduced demands. In some undamaged areas, new power requirements could result from refugee needs and production increases.

At the present more than 3,600 operating utilities compose the electric industry which serves the Nation. Most of these units are connected by approximately 400,000 miles of transmission lines. (Multiple networks connecting many systems are being expanded by capital investments totaling billions of dollars in 1966.)

State and local governments are responsible for directing and coordinating electric power preparedness and emergency functions in accordance with Federal and State emergency plans and programs. The purpose of these policies and guidance is to assure throughout the State the application of compatible measures for the conservation, distribution, and use of electric power to meet essential needs.

Mr. GIAIMO. We will put in page 116, the budget by object class. (The page follows:)

*Summary of Defense Electric Power Administration*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11.0 Personnel compensation | $14,649 | $44,200 | $58,400 | +$14,200 |
| 12.0 Personnel benefits | 1,062 | 3,200 | 3,800 | +600 |
| 21.0 Travel and transportation of persons | 1,753 | 6,000 | 11,000 | +5,000 |
| 22.0 Transportation of things | | 100 | 200 | +100 |
| 23.0 Rent, communications and utilities | 21 | 100 | 200 | +100 |
| 24.0 Printing and reproduction | | 200 | 200 | |
| 25.1 Other services | 2,200 | 2,800 | 3,000 | +200 |
| 25.2 Services of other agencies | 95 | 100 | 200 | +100 |
| 26.0 Supplies and materials | | 200 | 600 | +400 |
| 31.0 Equipment | | | | |
| Total obligations | 19,780 | 56,900 | 77,600 | +20,700 |
| Yearend employment | 1 | 3 | 4 | +1 |
| Average employment | 1 | 3 | 4 | +1 |

*Detail of personnel grades; number of positions*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Electrical engineer | GS-14 | 3 | 4 |

Mr. GIAIMO. On the Office of Oil and Gas, we will put in the statement of mission on page 117, the budget by object class on page 123 in the record.

(The pages follow:)

STATEMENT OF MISSION

*(b) Office of Oil and Gas, $203,400*

Establish and maintain on a standby basis, an organization (Emergency Petroleum and Gas Administration) capable of exercising effective Federal direction and control of petroleum and gas industry operations in a national emergency, including arrangements for liaison with the allied oil organizations.

Recruit and train personnel (Government employees and executive reservists) to man the Emergency Petroleum and Gas Administration (EPGA) and assure adequate technical and clerical support for its operations.

Establish and maintain in a state of readiness protected operational sites suitably equipped to provide living accommodations for all personnel.

Assist State and local governments to develop, test, and maintain in readiness, capability to exercise appropriate control and supervision of oil and gas industry operations within their jurisdictions during a national emergency.

Encourage oil, gas, and petrochemical companies to make all feasible preparations to enable continuity of operations during a national emergency to include company plans and security arrangements.

*Summary of Office of Oil and Gas*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11.0 Personnel compensation | $76,611 | $102,200 | $162,700 | +$60,500 |
| 12.0 Personnel benefits | 6,220 | 8,000 | 12,000 | +4,000 |
| 21.0 Travel and transportation of persons | 7,287 | 11,000 | 14,000 | +3,000 |
| 22.0 Transportation of things | 586 | 1,000 | 1,000 | |
| 23.0 Rent, communications, and utilities | 622 | 1,000 | 2,000 | +1,000 |
| 24.0 Printing and reproduction | 467 | 1,000 | 3,000 | +2,000 |
| 25.1 Other services | 2,860 | 3,000 | 3,700 | +700 |
| 25.2 Services of other agencies | 708 | 2,000 | 2,000 | |
| 26.0 Supplies and materials | 454 | 1,000 | 2,000 | +1,000 |
| 31.0 Equipment | 157 | 1,000 | 1,000 | |
| Total obligations | 95,972 | 131,200 | 203,400 | +72,200 |
| Yearend employment | 8 | 10 | 16 | +6 |
| Average employment | 8 | 10 | 16 | +6 |

*Detail of personnel grades*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Oil and gas specialist | GS-14 | 5 | 8 |
| Various | | 5 | 8 |
| Total | | 10 | 16 |

Mr. GIAIMO. On page 124, we will put in the statement of mission of the Office of Minerals and Solid Fuels, and we will put in the budget by object class on page 132.

(The pages follow:)

STATEMENT OF MISSION

(c) *Office of Minerals and Solid Fuels, $169,000*

Through Executive Order 10997, the President has assigned preparedness responsibility in the metals, minerals, and solid fuels areas to the Secretary of the Interior. This responsibility has been redelegated to the Office of Minerals and Solid Fuels which operates under the Assistant Secretary for Mineral Resources.

The basic objective of the Office of Minerals and Solid Fuels is the development of national emergency plans and preparedness programs to assure that an adequate supply of metals, minerals, and solid fuels will be available to meet military and essential civilian requirements during a partial or full mobilization, including nuclear attack on this country.

The role of the mining industry is to continue the production and processing of mineral raw materials and solid fuels to meet the Nation's needs, subject to the guidance and direction of the Department of the Interior, which, through the established system, can determine what adjustments are necessary to effectively cope with the imbalances and dislocations caused by an emergency.

*Summary of Office of Minerals and Solid Fuels*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11.0 Personnel compensation | $85,792 | $105,900 | $134,300 | +$28,400 |
| 12.0 Personnel benefits | 6,113 | 8,000 | 10,000 | +2,000 |
| 21.0 Travel and transportation of persons | 73 | 3,500 | 14,000 | +10,500 |
| 22.0 Transportation of things | | | | |
| 23.0 Rent, communications, and utilities | 2,306 | 2,600 | 4,700 | +2,100 |
| 24.0 Printing and reproduction | 2,746 | 3,000 | 3,000 | |
| 25.0 Other services | 1,594 | 300 | 600 | +300 |
| 25.2 Services of other agencies | | 200 | 400 | +200 |
| 26.0 Supplies and materials | 627 | 1,000 | 1,000 | |
| 31.0 Equipment | 199 | 1,000 | 1,000 | |
| Total obligations | 99,450 | 125,500 | 169,000 | 43,500 |
| Yearend employment | 7 | 8 | 11 | +3 |
| Average employment | 7 | 8 | 10 | +2 |

*Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Director | GS-16 | 1 | 1 |
| Industrial specialist | GS-15 | 2 | 2 |
| Do | GS-14 | 1 | 3 |
| Administrative assistant | GS-12 | 1 | 1 |
| Various | | 3 | 4 |
| Test | | 8 | 11 |

Mr. GIAIMO. If there are no further questions, gentlemen, that is all. Thank you very much.

Mr. LARSON. Thank you.

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## INTERSTATE COMMERCE COMMISSION

### WITNESSES

**JOHN W. BUSH, VICE CHAIRMAN, ICC**
**WYNNE G. ALLEY, CHIEF MOBILIZATION OFFICER**
**J. NEIL RYAN, BUDGET AND FISCAL OFFICER**

Mr. GIAIMO. It is a pleasure to have you here, Commissioner Bush. Will you identify yourself and your associates, for the record?

Mr. BUSH. I am Vice Chairman John Bush. The chairman was unable to be here. I have with me Mr. Ryan, the budget and fiscal officer, and Mr. Alley who have been here before on several occasions. He is the chief mobilization officer.

Mr. GIAIMO. You are asking for an increase of two positions up to six positions this year, and you are asking for an increase of $37,000 for a total of $141,000?

Mr. BUSH. Correct.

Mr. GIAIMO. That is an increase of $37,000 over last year?

Mr. BUSH. Yes.

GENERAL STATEMENT

Mr. GIAIMO. Do you have a general statement you would like to submit for the record and then perhaps comment briefly on the reason for your increases, both in people and money?

Mr. BUSH. I do have a statement which I will submit for the record.

Mr. GIAIMO. Without objection, it will be inserted in the record at this point, and you may proceed.

(Mr. Bush's prepared statement follows:)

STATEMENT OF VICE CHAIRMAN JOHN W. BUSH OF THE INTERSTATE COMMERCE COMMISSION

The Interstate Commerce Commission has been assigned broad emergency planning responsibilities, by Executive order and delegations of authority, for emergency preparedness plans and programs covering the domestic surface transportation industries. These responsibilities include providing guidance and consultation to the States regarding emergency transportation measures and the development of State emergency transportation plans.

The Commission's plans and programs are in consonance with, and provide support to the Office of Emergency Planning's comprehensive program for the survival of Government and management of resources. Plans are progressed within the framework of OEP guidance and direction, and are responsive to the overall needs of the Nation.

Emergency standby organizations have been established for rail, motor, and inland water carriers to assure operational guidance in a national defense emergency, including attack upon the United States. The rail and inland water standby organizations are being staffed by competent industry officials through the national defense executive reserve program. The motor organization consists of 50 joint ICC-State-industry emergency motor transport boards, with selected executive reservists assigned as support to the ICC member of the board.

A series of 13 standby orders have been developed and issued. These orders have been given wide distribution in the industry, and by their terms become effective upon the proclamation of the existence of a state of civil defense emergency by the President or by concurrent resolution of the Congress. One procedural order has been issued and another is in process. The procedural orders contain delegations of authority, name permit agents, and include prototype procedures and permit forms for expediting emergency military and civil movements.

The amount included in the OEP fiscal year 1966 delegate agencies budget for the ICC is $141,000. This amount is for six positions, an increase of two over this fiscal year, and reflects a $37,000 increase in our overall requests. This asking is considered to be the minimum amount required to support an austere level of performance of emergency preparedness functions assigned to the Interstate Commerce Commission.

In order to advance transport emergency preparedness efforts, it will be necessary to continue recruitment and assignment of executive reservists; to develop new guidance material for the reservists, agency staff, and the industries involved; to conduct limited training sessions for emergency designees; and to continue field support of the State task group activity under the OEP comprehensive program.

The Commission will foster the development of a railroad guidance pamphlet similar to the motor pamphlet issued in 1963 and an inland water pamphlet issued this fiscal year. The Commission proposes to expand, update, and reissue the ICC Emergency Planning and Operations Manual issued 5 years ago. Additional and updated transport data will be funrished the OEP National Resources Evaluation Center and limited exercises and tests of emergency plans will be conducted.

The funds, if provided, will enable the Commission to continue the interagency coordination of planning activities and participation in interagency preparedness committees and study groups on projects such as supply requirements, emergency measures, and claimancy.

Inasmuch as domestic surface transportation cuts across all resource areas, it is necessary to the total preparedness effort that the Commission engage in these activities and at a level that is integrated with, and corresponds to total national progress.

Mr. BUSH. Our statement reflects the participation in our part of the activity, which is solely related to surface transportation in relationship to emergency planning. As I understand it, the main thing you are interested in is what we have in the budget now that we did not have the last time.

Mr. GIAIMO. Right.

Mr. BUSH. I believe in a short time the Commission this year will foster the development of a railroad guidance pamphlet similar to the motor pamphlet we issued in 1963 and the inland waterway pamphlet we issued this fiscal year.

Basically, our program is projected on a 5-year basis, and this year the Commission proposes to expand and update and reissue the ICC Emergency Planning and Operations Manual, which we did issue 5 years ago. Also additional and updated transport data will be furnished the OEP Center, and limited exercises in tests of our emergency plans will be conducted.

I think that would be the gist of the general statement, Mr. Congressman.

Mr. GIAIMO. Generally, then, your $37,000 increase is reflected by almost $24,000 in compensation, promotions, and increases?

Mr. BUSH. Correct.

Mr. GIAIMO. Which are all authorized and, of course, mandatory?

Mr. BUSH. Yes.

Mr. GIAIMO. Then you have a $3,000 increase in travel and transportation of persons.

Mr. BUSH. Yes.

Mr. GIAIMO. Would you comment on that?

Mr. BUSH. I asked them to prepare a comment for me when I learned rather late that I was going to be here instead of the Chairman. I have heard more explanations of budget requests than I have made.

Mr. GIAIMO. You are showing an increase in travel and transportation up to $10,000.

Mr. BUSH. Correct.

Mr. GIAIMO. Briefly, why this increase?

Mr. BUSH. The $3,000 travel and transportation increase estimated for 1965 over 1964 is caused by increased field staff support in the OEP-sponsored State task group activity. Our ICC field staff will assist the State transportation planners in developing their State rail and motor and inland water plans that are compatible with Federal transportation plans through conferences and meetings and working sessions in an estimated 30 States. Therefore, the $3,000 estimated increase in the fiscal year 1966 is based on the assumption that also the remaining States will call on our field staff for assistance before the activity, which is already underway, is completed.

Mr. GIAIMO. Are we correct in our inference that the increase of $6,000 in printing and reproduction is brought about by the printing of the pamphlets you were speaking of before?

Mr. BUSH. Most of it, yes, and also bringing up to date the overall plan which we prepared 5 years ago.

Mr. GIAIMO. But most of it is for these pamphlets?

Mr. BUSH. Yes.

Mr. SHIPLEY. Could you not cut that book in half and make $3,000 instead of $6,000?

Mr. BUSH. Yes, I would ask the same question. I think that our guidelines have been set down pretty much by our conferences with OEP people, and, they having told us what they want in it and having had the experience of making these two, that is the best estimate we can make.

Mr. SHIPLEY. How many did you print 5 years ago?

Mr. BUSH. We did not print these.

Mr. ALLEY. The printing of 5 years ago was a reproduction job in shop, the emergency planning and operations manual, which is a guide to all the staff members and executive reservists who have emergency assignments. That is the one 5 years ago. In 1963 the publication of the motor transport pamphlet took place.

Mr. SHIPLEY. That is all.

Mr. BUSH. We have, of course, the three modes, the inland waterways, motor, and the rail. The rail is the one we have not done yet. We have the motor and the inland waterways and are going to do the rail, which will be the largest of the three.

Mr. GIAIMO. Off the record.

(Discussion off the record.)

Mr. GIAIMO. Back on the record.

You are asking for two new men, or two more men who would be mobilization specialists. Is that right?

Mr. BUSH. Yes.

Mr. GIAIMO. What are they?

Mr. Bush. One is for the Bureau of Safety and Service, and one is for the Bureau of Motor Carriers. Those are the locations. I would ask Mr. Alley if he would like to elaborate further on that.

Mr. ALLEY. To this extent, to clarify when you said, new men, as though we would hire, or something.

Mr. GIAIMO. A new appropriation?

Mr. ALLEY. That is right. We hope to have the assignment of some individuals who we can have on full time within the Bureau of Safety and Service and also within the Bureau of Motor Carriers to keep up with the program and to follow through on it to see the portions of the program on the priority list are accomplished within the year.

Mr. BUSH. Dr. Coker specifically suggested this, so my notes tell me.

Mr. GIAIMO. Are there any questions?

Mr. JONAS. I have one question.

Mr. GIAIMO. Mr. Jonas.

### OVERLAPPING TRANSPORTATION RESPONSIBILITIES

Mr. JONAS. We just heard the witnesses from the Department of Commerce, and may I read to you the first paragraph from page 29 of their justification:

> The 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 passengers and freight traffic of all types and for the determination of the proper apportionments and allocation of the total civilian transportation capacity to meet overall essential civil and military needs.

What do we need you for?

Mr. BUSH. I was just going to say it could have been a very perfect statement for the ICC as it pertains to surface transportation.

Mr. JONAS. That is what I thought when they were making it.

Mr. BUSH. If I might make a personal observation, Mr. Congressman, I think there is a great deal of overlapping not only between the efforts of our transportation agency and the transportation section of the Department of Commerce, but in other phases of the Government. While certainly two wrongs do not make a right, this is a separate operation from our regular duties. It could be entirely possible that the functions that are assigned to us could be more closely coordinated with the Department of Commerce. I wonder if that might not be true not only in this area but maybe in other areas.

Mr. JONAS. That is an honest statement.

Mr. THOMAS. That is the best statement that has been made here in months.

Mr. GIAIMO. We will proceed to the budget justification and estimates.

We will put in page 133, the statement of mission portion of it, and the budget by object class on page 138, and the green sheet on page 139 which shows your grades.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

STATEMENT OF MISSION

The emergency preparedness functions of the Interstate Commerce Commission are derived from Presidential Executive orders, including Executive Order 11005, delegations, and assignments from the Office of Emergency Planning. These functions include the preparation of national emergency plans and programs for the domestic surface transportation and storage industries. The program responsibilities cover planning for utilization, reduction of vulnerability, maintenance, and restoration of each mode of domestic surface transportation under any type of national defense emergency.

The Commission is also responsible for providing guidance and counsel to industries under its jurisdiction, regarding emergency preparedness and readiness measures, and to States relative to the development of their transportation plans.

The Commission's plans and implementing instructions are in consonance with, and provide support to the OEP comprehensive program, and are designed to develop a state of readiness adequate for all degrees of national emergency, including attack upon the United States.

*Financial and personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $70,043 | $83,180 | $105,227 | $22,047 |
| 12 Personnel benefits | 4,606 | 5,820 | 7,773 | 1,953 |
| 21 Travel and transportation of persons | 4,179 | 7,000 | 10,000 | 3,000 |
| 22 Transportation of things | | 1,000 | 1,000 | |
| 23 Rent, communications, and utilities | 509 | 1,000 | 1,000 | |
| 24 Printing and reproduction | 192 | 2,000 | 8,000 | 6,000 |
| 25 Other services | 267 | 2,000 | 5,000 | 3,000 |
| 26 Supplies and materials | 105 | 1,000 | 1,000 | |
| 31 Equipment | | 1,000 | 2,000 | 1,000 |
| 42 Insurance claims and indemnities | 99 | | | |
| Total obligations | 80,000 | 104,000 | 141,000 | 37,000 |
| Yearend employment | 3 | 4 | 6 | +2 |
| Average employment | 3.1 | 3.8 | 5.6 | +1.8 |

*Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Chief mobilization officer | GS–15 | 1 | 1 |
| Mobilization officer | GS–13 | 1 | 1 |
| Mobilization specialist | GS–13 | | 2 |
| Mobilization officer | GS–11 | 1 | 1 |
| Secretary | GS–5 | 1 | 1 |
| Total | | 4 | 6 |

Mr. GIAIMO. We thank you very much for waiting so long. We are sorry, but we are running so far behind time here today.

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## DEPARTMENT OF LABOR

### WITNESSES

### MILLARD CASS, DEPUTY UNDER SECRETARY OF LABOR
### JOHN G. KLEIN, BUDGET ANALYST

Mr. GIAIMO. We are glad to see you gentlemen. Please identify yourselves for the record.

Mr. CASS. I am Millard Cass, Deputy Under Secretary of Labor. I have with me John Klein, budget analyst for the U.S. Department of Labor.

Mr. GIAIMO. It is a pleasure to have you with us today.

For the 1966 fiscal year you are asking for an increase in personnel from 31 to 33, and you are asking for an increase from $686,825 to $703,775.

#### GENERAL STATEMENT

Do you have a statement you would like to present for the record at this time?

Mr. CASS. We do have a statement for the record. I will comment on it very briefly, sir, and then move to the increases because you will probably be most interested in them.

Mr. GIAIMO. The statement will be placed in the record.

(Mr. Cass' prepared statement follows:)

STATEMENT OF MILLARD CASS, DEPUTY UNDER SECRETARY OF LABOR

Mr. Chairman, I appreciate the opportunity to appear once again before this committee to discuss the functions and operations of the emergency preparedness programs which have been delegated to the Department of Labor by Executive Order 11000 of February 16, 1962. The order contains the following delegations:

(*a*) Preparing and keeping up to date national emergency plans covering all phases of civilian manpower mobilization. These programs are to provide for effective utilization of manpower resources, including specialized personnel, worker incentives and protection, skill development and training, research, and critical occupations.

(*b*) Emergency responsibilities in the fields of wage and salary stabilization and labor-management relations.

The Executive order states that these plans and programs shall be designed to develop a state of readiness for all aspects of national emergency, including attack upon the United States.

Our budget estimate includes activities in—

(1) Manpower mobilization planning.
(2) Economic analysis.
(3) Wage stabilization planning.
(4) Central direction and coordination.

The estimate for fiscal year 1966 is $703,775, an increase of $16,950 over the 1965 allocation of $686,825. The increases requested in 1966 are for two full-time positions and $14,150 for economic analysis and $5,800 for within-grade promotions, and for small nonlabor increases which are partially offset by a decrease of $3,000 in the cost for central direction and coordination. The estimate contemplates absorption of additional pay costs applicable in 1966 of about $1,500. In the fiscal 1966 estimate 41.1 percent, or $289,000, consists of grants to all 50 State employment security agencies.

The balance of the estimate, $414,775, or 58.9 percent, relates to manpower mobilization and task force development ($186,125) economic data in support of policy and operations ($69,750), wage stabilization and labor-management relations in an emergency ($41,350), and central direction and coordination ($117,550).

Our budget for fiscal 1966 is based on the belief that preparedness planning must make us ready for any emergency—by enemy action or forces of nature. This kind of preparedness requires careful planning and cooperative efforts by Federal, State, and local governments, labor, management, and the public.

We believe that we must reach a level of preparedness that will enable us to reduce Federal expenditures and personnel to a maintenance level. This involves our training State and local government and private personnel to expand and maintain their own mobilization readiness. This we are doing.

I think that if we receive in fiscal 1966 the funds in the budget, we shall be able to reduce Federal expenditures and personnel dramatically in fiscal 1967 and by at least one-third within 4 years. We are asking this year for a budget that will permit us to turn from predominantly Federal support of manpower preparedness planning to a partnership of public and private, State and local effort that will require much less Federal money and staff.

The various circumstances under which the Nation might have to mobilize its manpower, including the possibility of attack upon the United States, demand that the emergency manpower program be thoroughly preplanned, decentralized, and ready for immediate use.

The experience in World War II and the Korean emergency is useful because it tested such techniques as establishment of employment ceilings, priority referrals, certificates of availability, and limitation of employment opportunities of workers to high priority activities. However, the effects of a nuclear attack have no precedent in previous emergency operations.

We must, therefore, go beyond our World War II and Korean programs and use ingenuity and resourcefulness to develop techniques adaptable to the wide variety of situations that might occur in different communities after an attack.

Among the relatively new techniques developed within the Department of Labor are the preassigned teams and reconstruction task forces. We have developed 675 preassigned teams in 49 communities in 46 States and 880 reconstruction task forces in 38 communities in 29 States. These are all volunteers, totaling some 13,600 in number, who have agreed to serve in a national emergency or natural disaster. They are not paid for any training or preparation. Their employers have agreed to permit use of the equipment with which their employees are accustomed to working. This arrangement is an outstanding example of labor-management cooperation in the national interest.

Preassigned teams have been established in geographic areas most likely not to feel the impact of enemy attack—reception areas whose population and economy would not be substantially disrupted. They involve preassignment of civil defense responsibilities in the areas of feeding, shelter, management, transportation, health and welfare services to workers accustomed to working together as a team under leadership they know and trust.

Reconstruction task forces consist of a group of construction craftsmen with their skills and knowledge and contractors with their managerial experience and equipment, jointly organized into a work crew that would be in a permanent state of readiness to augment the local civil defense organization in an emergency. The work crews are mobile, available for work wherever and whenever the civil defense authority may direct, to provide the nucleus for expansion to a larger work force.

The preparedness planning in which we are engaged is designed to save American lives and property in the event of a national emergency or natural disaster. In every other area of our lives we prepare and practice—fire drills, lifeboat drills, air crash preparations, etc. For the worst possible catastrophe, we must prepare even more carefully or there may be needless loss of life and property.

Unorganized and unprepared volunteers can never operate as effectively as preassigned teams and task forces accustomed to working together, trained, knowing where and when to go, and what to do. This is the efficient way to manage and utilize manpower in an emergency. A little increase in efficiency by use of preassigned teams and task forces can mean a great increase in lives and property saved.

This has been demonstrated in a number of natural disasters where preassigned teams and reconstruction task forces established by the Department of Labor have been used within the past year. In the Alaska earthquake, March 1964, preassigned teams were utilized effectively at Seward. In Hurricane Dora, September 1964, preassigned teams were used at Tallahassee, Fla. and reconstruction task forces were employed at Daytona Beach. In Hurricane Hilda, October 1964, preassigned teams were used in Lafayette, La. In each instance, the volunteers available were utilized more effectively than they would have been on an unorganized basis.

The feasibility and value of the preassigned teams and reconstruction task forces have now been demonstrated. Consequently, in cooperation with the Office of Emergency Planning, the Office of Civil Defense, and other affected agencies, we are developing guidelines for establishment and use of preassigned teams and reconstruction task forces. These guidelines will be cleared with each State employment service, each State civil defense director, and other State agencies engaged in emergency planning. When approved, these guidelines will be distributed to State and local governments, labor, management and community organizations. We shall then work in an advisory capacity with the State and local agencies as they assume the responsibility to develop and maintain the preassigned teams and reconstruction task forces in their communities. The States and localities will be able to adapt these guidelines to their own special needs since the situation may vary from area to area.

At this point, Federal financial and administrative support of the program can and will cease. The Department of Labor will not ask any funds for this program in fiscal year 1967 or thereafter.

We trust that the committee will agree that this is the ideal way for the partnership of Federal, State and local, and public and private, effort to be developed.

We believe that planning done in a vacuum is ineffective and that it must be performed by those who would have to implement the plans. Accordingly, our planning is being done by those units which would have to operate the programs in an emergency. Attached, for your information, is a copy of Secretary of Labor Wirtz' order of August 11, 1964, assigning emergency preparedness functions within the Department of Labor.

The Federal-State employment security system, with about 1,900 local employment service offices, must be ready to match workers and needs in an emergency. These decentralized agencies must be prepared to implement the program on a moment's notice. In some cases, they may have to operate independently, cut off from State or Federal direction and assistance; hence, their readiness must be built in. In addition to the continued development of procedures and priorities for manpower utilization, the employment agencies will be a part of the total civil defense activity.

One of the major problems facing the Nation in an emergency will be the logistics of the manpower program—namely, the moving of persons with certain skills to areas where those skills are in short supply. This requires both planning and economic intelligence of an extremely high order. It will be essential that we know where the surpluses of skilled manpower are, as well as where they are needed.

This is the reason we have asked for two additional jobs which will permit us to select 150 occupations on a national basis and project data available to 1970 for each of these occupations. These positions will also enable us to take account of major geographical changes expected community by community. On the basis of this, we will have a much better picture of where manpower with needed skills can be found. Even allowing for a great deal of mobility in the labor force, we shall have a far better basis for national planning than we have

ever had before. For the first time, we will at least know where to start looking for the manpower the Nation needs in an emergency.

There will be continued training of executive reservists and the Department staff, both in Washington and the field. Labor-management advisory committees at national and regional levels will be maintained at full strength and kept abreast of changing developments. Complete review and necessary revision of relocation plans, notification systems, and lines of communication and succession are made annually so that they are kept in readiness posture. In view of developments in Vietnam, they were updated in February 1965.

The wage stabilization program has been decentralized to the field, and the Department of Labor employees who would be expected to operate it are continuously being trained. Personnel of other agencies who could assist the Department of Labor in carrying out this responsibility are also being identified and indoctrinated.

Mr. Chairman, I shall be happy to answer any question you or members of the subcommittee may have.

Mr. CASS. We are asking this year for a budget which we think will permit us to turn from predominantly Federal support of manpower preparedness planning to a partnership of public and private, State and local effort that will require much less Federal money and staff. This involves our training State and local government and private personnel to expand and maintain their own mobilization readiness activities. We expect to reduce Federal expenditures and personnel dramatically in fiscal 1967 and by at least one-third within 4 years, because we are moving from Federal support to a maintenance level.

I will address myself to the increases.

We have asked for two more jobs at a cost of $14,150. These are in the Bureau of Labor Statistics. This will permit us to start the difficult work of projecting the work force in 150 occupations by geographic areas to 1970, and this will give us a better picture of where the manpower with the needed skills can be found in an emergency.

We have an increase of $2,800 for mandatory within-grade promotions. We have $3,000 for nonlabor cost, divided between three different bureaus. I can go into more detail if you want.

We have an offset against this $19,950 of a reduction of $3,000 in Central Coordination, which is in the Secretary's Office. The net is $16,950.

Mr. SHIPLEY. Give us the highlights of what you are doing and what you intend to do on the mission.

Mr. CASS. Yes, sir. The biggest expenditure of funds is in order to prepare for the manpower preparedness part of our activity. This will enable us to insure that we do everything possible to have the manpower available where it is needed in an emergency.

This involves—and this is why we ask for the two additional jobs—knowing where the manpower is so we can know where we can find it if the emergency occurs. We have put a great deal, in the past 2 years, into the establishment of preassigned teams and reconstruction task forces. We now have 675 reassigned teams in 49 communities in 46 States, and we have 880 reconstruction task forces in 38 communities in 29 States. These are all volunteers. They number some 13,600 persons who have agreed to serve in a national emergency or a natural disaster. They are not paid for any training or preparation. Their employers have agreed to permit use of the equipment with which they are accustomed to working, and we think this is an outstanding example of labor-management cooperation in the national interest.

Incidentally, we are assured these are useful mechanisms because they have been tested in natural disasters, the earthquake in Alaska, the hurricanes in Louisiana and Florida, and the floods in California.

We are now developing guidelines for establishment and use of preassigned teams and reconstruction task forces.

We are going to clear them with State agencies, and then work in an advisory capacity with the State and local agencies as they assume the responsibility to develop and maintain the preassigned teams and reconstruction task forces in their communities, geared to their own situation, which may differ from State to State and community to community.

At this point, Federal financial and administrative support for these teams will both cease, and we will not ask any Department of Labor funds for this program in 1967 or thereafter.

We trust the committee believes this is the proper way to move from Federal direction, to a partnership of Federal, State, and local, public and private effort.

Mr. SHIPLEY. That is very good.

Mr. Reporter, we will put in the record pages 151 through 154 which give the summary of the four activities, which are manpower mobilization, economic analysis, wage stabilization planning, and central coordination.

(The pages follow:)

*Manpower mobilization planning*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $153,451 | $154,550 | $156,700 | +$2,150 |
| 12 Personnel benefits | 11,413 | 11,575 | 11,725 | +150 |
| 21 Travel and transportation of persons | 10,126 | 11,300 | 12,900 | +1,600 |
| 22 Transportation of things | 873 | | | |
| 23 Rent, communications, and utilities | 2,555 | 2,300 | 2,550 | +250 |
| 24 Printing and reproduction | 1,706 | 1,500 | 1,500 | |
| 25 Other services | 24 | | | |
| 26 Supplies and materials | 620 | 600 | 750 | +150 |
| 41 Grants, subsidies, and contributions | 289,000 | 289,000 | 289,000 | |
| Total obligations | 469,768 | 470,825 | 475,125 | +4,300 |
| Yearend employment | 18 | 14 | 14 | |
| Average employment | 15 | 14 | 12 | −2 |

*Economic analysis*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $60,772 | $49,907 | $62,922 | +$13,015 |
| 12 Personnel benefits | 4,659 | 3,718 | 4,652 | +934 |
| 21 Travel and transportation of persons | 782 | 925 | 900 | −25 |
| 23 Rent, communications, and utilities | 750 | 650 | 740 | +90 |
| 24 Printing and reproduction | 37 | 40 | 40 | |
| 26 Supplies and materials | | 360 | 496 | +136 |
| Total | 67,000 | 55,600 | 69,750 | +14,150 |
| Yearend employment | 4 | 5 | 7 | +2 |
| Average employment | 6 | 5 | 7 | +2 |

*3. Wage stabilization planning*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $29,700 | $32,950 | $33,750 | +$800 |
| 12 Personnel benefits | 2,200 | 2,500 | 2,500 | |
| 21 Travel and transportation of persons | 1,000 | 2,500 | 3,200 | +700 |
| 23 Rent, communications, and utilities | 700 | 700 | 700 | |
| 24 Printing and reproduction | 100 | 400 | 400 | |
| 25 Other services | 1,000 | 600 | 600 | |
| 26 Supplies and materials | 200 | 200 | 200 | |
| Total | 34,900 | 39,850 | 41,350 | +1,500 |
| Yearend employment | 2 | 3 | 3 | |
| Average employment | 3 | 3 | 3 | |

*4. Central coordination*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $97,184 | $101,893 | $100,494 | −$1,399 |
| 12 Personnel benefits | 6,994 | 7,357 | 7,256 | −101 |
| 21 Travel and transportation of persons | 3,410 | 4,000 | 3,500 | −500 |
| 22 Transportation of things | | 300 | 300 | |
| 23 Rent, communications, and utilities | 527 | 1,500 | 1,500 | |
| 24 Printing and reproduction | 1,327 | 1,500 | 1,500 | |
| 25 Other services | 11,525 | 3,000 | 2,000 | −1,000 |
| 26 Supplies and materials | 647 | 1,000 | 1,000 | |
| Total | 121,614 | 120,550 | 117,550 | −3,000 |
| Yearend employment | 9 | 9 | 9 | |
| Average employment | 9 | 9 | 9 | |

Mr. SHIPLEY. I think you have done a very good job of explanation, and I think everyone has gone through the justifications.

If there are no questions, I think it is enough for the committee, and we apologize for making you wait so long. Thank you.

Mr. CASS. Thank you very much.

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## DEPARTMENT OF THE TREASURY

### WITNESSES

**FRED B. SMITH, ACTING GENERAL COUNSEL**
**EDWARD J. HEID, CHIEF, MOBILIZATION PLANNING STAFF**

Mr. GIAIMO. Will you identify yourself and your companion for the record?

Mr. SMITH. I am Fred B. Smith, Deputy General Counsel of the Treasury Department, and presently the Acting General Counsel. This is Mr. Edward Heid, Chief of the Mobilization Planning Staff in the Office of the Secretary of the Treasury.

Mr. GIAIMO. Mr. Smith, you are asking for $80,000 this year. That is an increase of $10,000 over last year. Is that entire increase brought about by increases in personnel compensation and personnel benefits which are mandatory increases?

Mr. SMITH. Sir, our request is the same as last year except for an extra $10,000 which we feel is urgently needed for a study, to finance part of the cost of a study, of the relationship of a program for equitable sharing of war losses, which is part of the President's program, and the responsibilities of the Secretary of the Treasury for maintaining the stability of the monetary and financial system of the country. In other words, you have the question of, how do you finance this program of sharing war losses? And how does it fit in with your regular tax program for financing the essential needs of the country and of the Government? And how does it fit in with your program for maintaining the money supply and the credit of the country in a proper balance with whatever productive capacity of the country remains?

We have done some work on this, but the trouble is our regular experts in the field of finance and debt management, and so on, have been so heavily burdened for the last 2 or 3 years with our tax programs and our debt management program that they have been unable to devote the time to do the really intensive job that needs to be done on this.

Looking ahead, it appears that they are going to be heavily occupied with their regular duties in the future. We feel this is something that urgently needs to be done in order to fill out our plan. Therefore, we have in mind retaining one or more consultants for short periods of intensive study to help that program along. That is the only additional item we have in our request. The rest is for the same personnel to perform the same coordinating operation for our whole emergency planning program.

Mr. GIAIMO. You are retaining the same number of personnel, five, and not asking for an increase in personnel?

Mr. SMITH. No, indeed.

Mr. GIAIMO. Can you tell me what this personnel will be doing? Again, my original question is, Is the increase of $10,000 brought about by in-grade promotions and also an increase in compensation?

Mr. SMITH. No, it is for consultants.

Mr. GIAIMO. Then there is a difference?

Mr. SMITH. Yes, there is $10,000 difference.

Mr. GIAIMO. From the budget by object classification on page 163, where you reflect the increases, I would assume these increases would be for employees, but it is not, it is for consultants?

Mr. SMITH. That is right. Consultant employment.

GENERAL STATEMENT

Mr. GIAIMO. Do you have a statement you would like to submit for the record at this time?

Mr. SMITH. Yes, sir.

Mr. GIAIMO. We will make it a part of the record at this point.

(Mr. Smith's prepared statement follows:)

STATEMENT OF FRED B. SMITH, ACTING GENERAL COUNSEL, TREASURY DEPARTMENT

Mr. Chairman and members of the committee, the funds requested for the Treasury Department for fiscal year 1966 will provide for the continuation of an emergency preparedness program at a reasonable level of effectiveness. The funds will finance a staff of five employees in the Office of the Secretary to provide overall departmental direction and coordination of an emergency pre-

paredness program. This includes guidance to and the development of instructions for the various bureaus and offices in formulating specific emergency plans in the functional area for which they are responsible.

Treasury's emergency preparedness program is conducted on an austere basis. Whenever possible, emergency preparedness work is merged with regular day-to-day assignments. The various bureaus and offices within the Department have no employees working full time on emergency preparedness work.

Executive Order No. 11088 charges the Secretary of the Treasury with responsibility for developing a state of readiness for the performance of emergency functions with respect to stabilization aspects of the monetary, credit, and financial system, including collection of revenue, regulation of financial institutions, supervision of the Federal depository system, direction of transactions in Government securities, tax and debt policies, regulation of foreign assets in the United States, development of procedures for manufacture, issuance and redemption of securities, stamps, coins and currency, development of systems for the issuance and payment of Treasury checks, maintenance of the Central Government accounting and financial reporting system, administration of the various customs laws, tax laws, etc., and development of plans for granting loans (including participation in or guarantees of loans) for the expansion of capacity, the development of technological processes, or the production of essential material.

The nature of emergency preparedness work is such that plans and documents must be kept current to maintain a continuous state of readiness. This includes emergency delegations of authority and orders of succession, maintenance of lists of emergency operating centers, designation of cadres with instructions to relocate under various conditions, development of documents for use in an emergency, prepositioning of current essential records, and training of employees having emergency assignments. Certain activities must be coordinated with the Office of Emergency Planning, and other Federal departments and agencies.

In fiscal year 1966, we will continue an emergency preparedness program which will include, but not be limited to, the following:

Provide the continuing review and Departmental direction, coordination, and assistance necessary for the guidance of Treasury offices and bureau in updating emergency plans.

Develop additional emergency measures statements for the OEP Digest of Emergency Measures.

See that Treasury's emergency measures are coordinated with other Federal agencies as necessary.

Participate in the national resources evaluation program administered by the Office of Emergency Planning.

Provide guidance, indoctrination and/or training for national office personnel having emergency assignments at emergency operating centers.

Give annual briefings at each of the eight Federal regional emergency centers for Treasury bureau regional representatives.

The increase of $10,000 is specifically requested to accomplish research studies through the employment of consultants who can give full-time concentration to the extremely complex problems incident to the development of postattack financial measures, including war loss sharing, to assure that such measures are properly coordinated with direct controls (price and rent controls, rationing, and wage stabilization), which would be needed.

Mr. GIAIMO. Are there any questions?

Mr. JONAS. No questions.

Mr. GIAIMO. We will put in the record the statement of mission on page 159, and page 160, and we will put in the budget on page 163 and the green sheet on page 164.

(The pages follow:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

STATEMENT OF MISSION

Prevention of collapse or insolvency of the monetary, credit, and financial system would require a variety of immediate postattack emergency economic actions, particularly in undamaged areas.

The Secretary of the Treasury has the responsibility for developing a national capability to respond to the economic consequences of mobilization in the event of a nuclear attack. He is responsible for development of the authorities, plans, procedures, and a continuing capability for execution of certain monetary, financial and economic stabilization functions in accordance with Executive Orders 10346 and 11088, and policies developed, approved and published in the "National Plan for Emergency Preparedness." More specifically he is responsible for:

(*a*) Initiating, developing, prescribing, and coordinating appropriate monetary, credit, tax, and other financial policies and actions for any emergency.

(*b*) Recommending to the President necessary enabling legislation pertaining to tax and other financial measures.

(*c*) Administering emergency tax measures and certain other monetary and financial measures within his jurisdiction.

(*d*) Carrying out other emergency monetary, credit, and banking responsibilities through appropriate delegation of administrative authority to other Federal financial agencies.

(*e*) Participating in the development and coordination of overall economic stabilization policy.

Emergency activities of the Treasury are closely related to its peacetime responsibilities. Procedures have been developed so that certain monetary and financial functions would be performed by Federal Reserve banks, if conditions required. Also, in the event of an emergency a preselected cadre of experienced officials from the Office of the Secretary and bureau headquarters offices would relocate to a designated location to provide for the necessary direction and coordination of policymaking decisions in a postattack period. The geographical spread of field installations offers a good chance for the survival of knowledgeable manpower. To facilitate field operations in a postattack period, a Treasury regional mobilization coordinator has been designated for each of the OEP–OCD regional operating centers and experienced technical representatives from each functional area in the field would relocate there in an emergency.

*Financial and personnel summary*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $59,313 | $62,760 | $72,710 | +$9,950 |
| 12 Personnel benefits | 4,420 | 4,800 | 4,850 | +50 |
| 21 Travel and transportation of persons | 1,267 | 2,440 | 2,440 | ---------- |
| Total obligations | 65,000 | 70,000 | 80,000 | +10,000 |
| Yearend employment | 5 | 5 | 5 | ---------- |
| Average employment | 6 | 5 | 5 | ---------- |

*Detail of personnel grades*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Chief, mobilization planning staff | 16 | 1 | 1 |
| Mobilization planning officer | 14 | 1 | 1 |
| Mobilization planning specialist | 12 | 1 | 1 |
| Do | 11 | 1 | 1 |
| Various | 6 | 1 | 1 |
| Total | ---------- | 5 | 5 |

Mr. GIAIMO. We thank you very much for coming here today, and we are sorry you had to wait so long.

Mr. SMITH. That is perfectly all right. Thank you.

## Department of Health, Education, and Welfare

### WITNESSES

**DEAN SNYDER, DEFENSE COORDINATOR**
**HARLEY G. UNDERWOOD, DIRECTOR, OFFICE OF EMERGENCY PREPAREDNESS, FOOD AND DRUG ADMINISTRATION**
**MARGARET A. EMERY, ASSISTANT TO THE COMMISSIONER, WELFARE ADMINISTRATION**
**JOSEPH L. PREISSIG, BUDGET EXAMINER**
**JAMES F. KELLY, DEPARTMENT COMPTROLLER**

Mr. Giaimo. Will you identify yourself and those accompanying you this afternoon, for the record?

Mr. Snyder. Mr. Chairman, I am Dean Snyder, Defense Coordinator for the Department. Mr. Kelly is here, the Department Comptroller, and Mr. Preissig, the budget examiner, and Miss Emery, assistant to the Commissioner for Welfare, and Dr. Underwood from the Food and Drug Administration.

Mr. Giaimo. We are glad to have you with us. We are sorry you had to wait so long, but we are running behind time today.

HEW is asking under this appropriation for $552,000 and 41 positions. That is an increase of $82,000 and three positions.

### GENERAL STATEMENT

Do you have a general statement which you would like to insert in the record at this time and then perhaps make a brief summary?

Mr. Snyder. Yes, sir.

Mr. Giaimo. We will put the statement in the record.

(Mr. Snyder's prepared statement follows:)

#### Statement of Department of Health, Education, and Welfare

Mr. Chairman and members of the committee, since nuclear power became a potential threat of war against the American people—particularly since the cold war of the 1950's and the more recent international crises—all civilian agencies of the Federal Government have had to maintain a defense readiness posture, while at the same time pursuing their normal (and in many cases, expanding) peacetime programs.

Measures taken for civil defense and mobilization readiness, and further measures to provide for postattack relocation and continuity of departmental and regional operation, have been the result of Executive orders of the President and executive branch coordination by the Office of Emergency Planning and its predecessors.

Our defense assignments in the Department of Health, Education, and Welfare are contained in three Executive orders:

Executive Order 10346—for continuity of postattack operation and essential functions.

Executive Order 10958—for the medical stockpile.

Executive Order 11001—for other readiness assignments.

More than 30 assignments are made in these Executive orders. Responsibilities are further outlined in the revised national plan recently promulgated by President Johnson. These assignments are being pursued diligently to the full extent of our available facilities and funds.

Wherever possible, the Secretary has redelegated operational readiness assignments to the heads of operating agencies (e.g., the Surgeon General, Commissioner of Welfare, Commissioner of Food and Drugs, etc.) and to the Department of Health, Education, and Welfare regional directors. Program direction and staff support at the level of the Secretary and Under Secretary is provided by a coordinating unit attached to the Under Secretary's office.

Because its many programs deal with the health and well-being of people, the Department has a deep concern for its related defense responsibilities. The victims of attack would be people. The survival of people (and the reuniting of families) would have first claim on our post attack civilian effort. Without such survival, economic, and industrial recovery and the rebuilding of the Nation would be impossible.

Secretary Celebrezze and his predecessors have reaffirmed departmental policy for the immediate postattack period as follows: To maintain the continuity of our essential operations, and to give immediate attention to (1) emergency health measures and (2) emergency welfare measures as defined in Executive Order 11001.

The need for postattack lifesaving measures, and the need for family survival in an emergency, is so self-evident that it scarcely admits of argument. However, sufficient readiness to cope with these problems continues to give us much concern—particularly at regional and field levels. The role of this Department and its operating agencies may be stated as follows: To anticipate as best we can the emergency health and welfare problems that would result from nuclear attack; then to develop and communicate policy and operational guidance to our State and local counterparts; then to assist them in defense training efforts, based upon national damage assumptions and the readiness measures of this Department and other agencies.

Postattack survival measures would be effective largely to the extent that local emergency government would be effective. However, the Department's local and State health and welfare counterparts cannot be left to shift for themselves—either in preemergency planning or in lonely postattack solitude. The Federal Government is bound to help—both by law and by the fact that attack upon us, if it should come, would be a national calamity and not merely a State or local calamity.

### FISCAL YEAR 1966 ESTIMATE

The estimate before you, totaling $552,000, for the Department of Health, Education, and Welfare, is intended to support, as in prior years, the following four defense readiness activities:

| | Amount | Staffing |
|---|---|---|
| (1) Emergency food and drug protection | $91,000 | 7 |
| (2) Emergency welfare services | 239,000 | 20 |
| (3) Regional defense readiness | 138,000 | 9 |
| (4) Staff support for the Secretary | 84,000 | 5 |

The budget justification for these activities, assembled by the Office of Emergency Planning in the material before you (pp. 86–104), goes into detail concerning each of the four activities and set forth 5-year projections as well as specific objectives for fiscal year 1966. It should be noted that these activities do not include emergency health readiness and the medical stockpile which are separately funded.

### EMERGENCY FOOD AND DRUG PROTECTION

We are dealing here with special measures needed to maintain purity and safety in the manufacture and distribution of food, drugs, and biologicals under all conditions of national emergency. The present request for funds is entirely to continue training activities. The goal is to provide initial training to approximately 10,000 Federal, State, and local food and drug officials by 1969. By the close of the current year, 35 percent of the goal will be reached. A brief description of the training is as follows:

The basic 40-hour course is designed to develop operational capability for food and drug safety in the event of enemy attack. The nature of damage that may be expected from radiological, biological, and chemical warfare agents is discussed. The hazards to personnel assigned to work in contaminated areas are explained. Protective measures are examined. The students, using radiological monitoring instruments, are given firsthand experience in calibration and monitoring exercises. Methods to be employed in decontamination are demonstrated. Practical exercises, using simulated fallout on a variety of foods, are utilized to acquaint students with instruments, methods of decontamination, and personnel protection.

During the current year the Food and Drug Administration will conduct 28 such defense training courses and reach 875 trainees. For the next fiscal year it is proposed to add two additional instructors. This will make possible 45 training courses to reach 1,575 trainees. At the close of next year, the current food and drug training program should be at approximately the halfway mark. During 1966, in addition, we will revise the technical publication, "Civil Defense Information for Food and Drug Officials" (more than 23,000 copies distributed to date), and will update other instructional material for student use.

Although readiness training within the food and drug industry itself (as distinguished from Federal, State, and local officials) would be desirable as a long-range goal, no funds are currently available for this purpose.

EMERGENCY WELFARE SERVICES

This activity is focused on postattack measures to provide minimum essential welfare aid, utilizing State and local competency, in order to (a) help keep people alive, (b) reunite families, (c) assist in restoring family and community living conditions.

The definition of "emergency welfare" is "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 services; necessary financial or other assistance; counseling and referral services to families and individuals; aid to welfare institutions; and all other feasible welfare aid and services to people in need during a civil defense emergency."

This assignment was made to the Department in 1962 in Executive Order 11001. The order further required the Department to "develop plans and issue guidance for 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."

Since 1962, in line with this assignment, seven guidance manuals have been prepared. Advance copies have been circulated to the States. One manual (No. 7) has been printed and circulated in final form. The other six guidance documents will soon be available in quantity supply. These manuals have the following titles:

1. "Emergency Welfare Services—Guidelines and Structure."
2. "Emergency Lodging."
3. "Emergency Feeding."
4. "Emergency Clothing."
5. "Emergency Registration and Inquiry."
6. "Emergency Social Services."
7. "Welfare Institutions—Fallout Protection of Populations and Staff."

The next step is to translate this guidance into field training and readiness. Reports to the Office of Civil Defense indicate that in 3,872 local jurisdictions (where about 80 percent of the population lives), emergency welfare assignments will have been made by the end of the current fiscal year to approximately 13,000 staff members (8,275 currently assigned). These are the people who would perform local emergency welfare services in the postattack period. However, these same local jurisdictions estimate that more than 68,000 would be required. All of these need guidance and instruction in emergency measures. For this purpose the local welfare agency must work closely with local government's civil defense program.

This shift of emphasis to field training for fiscal year 1966 will be achieved through reassigning members of the special staff (under the direction of the Department's Welfare Administration) whose responsibility under Executive Order 11001 has previously been mentioned. These reassignments and the requested two additional jobs will step up technical help to the States through regional representatives for emergency welfare in eight of the nine regions.

It should be added that the Department has been increasingly concerned to bring emergency welfare readiness into better balance with emergency health readiness. Survival would depend upon both types of action. In particular, conditions postattack would create unprecedented problems for individuals and families in damaged areas including areas overlaid with deadly fallout. Millions of people could not return to their former homes, families would be separated, and many victims of attack (whether rich or poor, and both children

and adults) would be without sufficient resources for food, clothing, shelter, and other life essentials. Family and community life could not be resumed without emergency welfare measures.

The guidance materials thus far developed, and now nearly ready for wide circulation to State and local officials, anticipate these problems and indicate the emergency postattack measures that would be necessary.

There should be a steady increase in readiness capability. By the end of fiscal year 1966, it is expected that all State welfare departments will actively engage in emergency welfare development at local levels. By the end of fiscal year 1967, the objective is for all local welfare departments to accept responsibility for emergency welfare measures based upon the new guidance manuals. From now on the defense readiness of State and local welfare departments will be evaluated and progress reports prepared each year. While complete preparedness cannot be expected in all jurisdictions, a reasonable minimum level, commensurate with the requirements of the various State and local governments, can be achieved with national guidance and the technical help provided to the States through the Department's field organization.

REGIONAL DEFENSE READINESS

Staff support to the Department's Director of Field Administration and DHEW regional directors is an ongoing need. The regional responsibility is twofold: (1) To attain and maintain the best possible level of DHEW field readiness to meet all types of emergencies, including natural disasters, and (2) to help raise the level of emergency capability of related State programs, through cooperation with State directors of emergency planning and civil defense. This requires, and will continue to require in the foreseeable future, close liaison and cooperative work with the corresponding regional offices of OEP and OCD and with State governments.

Each DHEW region has a written postattack emergency action plan which provides for relocation sites and the reassignment of personnel to emergency duties. Upon threat of attack, the present nine DHEW regions would immediately shift over to become coterminous with the joint regional boundaries of the Office of Emergency Planning and the Office of Civil Defense. This means the same regional grouping of States as for OEP/OCD in each instance. Governors and other State officials concerned with emergency health and welfare would thus have a clear channel to a single, combined regional center. This would greatly facilitate damage assessment and survival operations.

Important areas of DHEW regional readiness are presently incomplete or require further attention: Improved emergency communication arrangements; improved damage assessment capability; improved capability of regional relocation sites, including changes in location to safer areas in some instances; and improved procedures for rapidly shifting over in an emergency to coterminous boundaries with OEP and OCD regions.

Additional regional projects to receive attention in fiscal year 1966 are—

1. Regional office participation in scheduled tests and exercises, and periodic internal testing of DHEW emergency arrangements.
2. Coordination of regional efforts of DHEW operating agencies in improvement of emergency capability at State and local levels.
3. Continued support to the OEP comprehensive program for management of resources—through regular contacts with State emergency planning directors and assistance and guidance to State task groups.
4. Extension of the program for periodic evaluation, (on a State-by-State basis) of the overall level of State readiness to carry out emergency programs for which DHEW is responsible.
5. Improvement of DHEW field capability in response to natural disasters in coordination with OEP regional offices.
6. DHEW employee training in personal and family survival, including training in medical self-help and radiological monitoring.

For these activities on a continuing basis, one staff assistant to the regional director in each of the nine DHEW regions has proven to be essential. However, requested fiscal year 1966 funds will provide coverage for only seven of the nine, plus a staff assistant to the Director of Field Administration and one clerical position. This represents no increase in jobs.

This requires a focal point for coordinating, evaluating, and testing all emergency activities of the Department under Executive Orders 11001, 10346 and 10958, for maintaining readiness to operate from headquarters relocation sites in a postattack situation, for maintaining the Department's emergency action plan, and for working with the Office of Emergency Planning and Office of Civil Defense day to day in joint readiness activities which are many and varied. The defense coordinator and a small unit in the Secretary's Office provide this focal point. None of this work is or can be financed through the Department's regular budget. We have been able to reduce this staff somewhat since 1963 and it is expected that yearend employment in this activity will be further reduced by one during 1966.

This completes our opening statement. We will be glad to respond to your questions, or furnish such additional information as the committee may request.

Mr. SNYDER. I will make the statement very brief and address myself to the increases.

Mr. GIAIMO. Fine.

Mr. SNYDER. The increase of the full amount of $82,000 relates itself primarily to two activities and to one firm intention that we have. The two activities are in emergency welfare services and in the food and drug emergency protection program.

The intention of this budget is to get further along in our field activity, the field work, and field readiness, which we recognize as being so important. I would like to make a brief comment about what that means in terms of the food and drug protection program, and then also comment briefly on the emergency welfare services program, as related to the requirement of getting into the field and making our preparedness measures more effective at that point.

The Food and Drug Administration, under this proposal, would add one team of instructors, a two-man team, which would give them three teams for next year. These teams are fully occupied with a workload that involves the Federal, State, and local food and drug officials who, in an emergency, would be responsible for the safety of the consumer and the food and drug supply. The instruction deals with problems of contamination and decontamination, and safety under conditions of atomic attack or the possibility even that other kinds of weapons, either overt or covert, such as CW or BW, might be used against us.

The workload is approximately 10,000 people. At the end of this year we will have reached about 35 percent of that workload, leaving a considerable gap. Our hope is to be able to step this up next year and to conduct 45 field training courses, as compared with 28 this year, and to train about 1,500 to 1,600 students or officials, as compared to 875 this year. If we can do this, then we would be at the end of the 1966 year about 50 percent of the way along the road toward meeting the goal of 10,000 trained people in emergency measures.

On the emergency welfare side, we have just completed, and there are now being published, a set of seven guidance manuals which under our Executive order the Secretary is responsible for providing to the States and to the local areas. Our intention next year is to add two people and to shift some of our staff so that we can have in eight of our regional offices a training and guidance official on emergency welfare measures, whose entire time would be spent with the States and working through the States to increase the readiness of the local welfare people.

Some indication of the workload here is found in statistics which the Defense Department has assembled and made available to us. I will

just refer to them briefly. In about 3,800 of the local jurisdictions, where about 80 percent of the population lives, emergency welfare assignments have now been made by local governments to some 13,000 staff members. The emphasis, however, is on an increased number estimated at 68,000 emergency welfare staff that would really be needed under atomic attack conditions. This is the group we have to reach. When I say "we," I am talking in terms of State and the local welfare departments and our Department of Health, Education, and Welfare administration using the seven guidance manuals which have now been made available and which shortly will be in the field in printed form.

Our emphasis is entirely to get more effective readiness at the field level with respect to the State and local counterpart agencies with which we deal. This is our assignment under the Executive order, and this is what we are striving for.

Mr. GIAIMO. Are there any questions?

If there are no questions, we will proceed to the budget estimate and justifications.

We will put in the statement of mission on page 86, all of page 87, which is very interesting, and the first paragraph on page 88.

(The material follows:)

CIVIL DEFENSE AND DEFENSE MOBILIZATION FUNCTIONS OF FEDERAL AGENCIES

STATEMENT OF MISSION

The mission of the Department of Health, Education, and Welfare for emergency preparedness is to fulfill Presidential assignments made to the Secretary in Executive Orders 10346, 10958, and 11001.

These assignments include the requirement, under postattack conditions, to operate and maintain the Department's continuity of organization and essential functions, and to manage emergency programs.

Of even greater importance, these assignments include preattack guidance and readiness training for emergency health services, emergency food and drug protection, emergency welfare services, and the defense readiness of the Department's nine regional offices.

Following massive attack upon the Nation, nothing would exceed the importance of immediate measures for the care of victims, the reuniting of families, and emergency public health services and medical care. These would be essential ingredients to save lives, sustain public morale, and provide the basis for longer range recovery. In the development of these measures, the Department of Health, Education, and Welfare has the major Federal role.

However, under Public Law 81-920, the Federal Government shares responsibility with the States and local jurisdictions for protection and survival of people in an emergency. This requires development of a national system of emergency health and welfare readiness in close teamwork with the State and local counterparts of the Department. Guidance and training help for these counterparts, and for related professional groups, is designed to increase the competency of field personnel to understand the hazards of a postattack environment and to set forth the austere procedures needed to save lives, provide health care, protect the food and drug supply, reunite families, and provide minimum essentials of food, clothing, and shelter to the survivors.

It is important to note that these emergency measures differ greatly from peacetime programs and would require the capability for rapid changeover to streamlined emergency operations, both at headquarters and field relocation sites, and for both Federal agencies and their State counterparts. Since no one can predict the extent and severity of an attack and the resultant location of casualties and displaced families, emergency health and welfare problems cannot be solved in advance—they can only be anticipated.

To summarize briefly, the essence of the Department's emergency mission is to help make more certain the survival of people as individuals and families in order to assure recovery from the overwhelming destruction and disruption of lives which would follow nuclear attack, if it ever should come.

POSTATTACK OPERATIONS

In the immediate postattack period, the system for dealing with emergency health and welfare problems would be based upon the State and local health and welfare departments as part of emergency government, aided by volunteers from the health and welfare professions and allied groups. Each local and State government is presumed to have a shelter and survival plan and a resources management plan into which this arrangement would fit.

The next higher level of postattack operation would be the eight OCD–OEP regions. For this purpose, the present nine regions of DHEW would immediately shift over to become coterminous with OEP–OCD regional boundaries and to include the same grouping of States as OEP–OCD in each instance. Governors and other State officials concerned with emergency health and welfare would thus have a clear channel to one combined regional center.

FUNDING DHEW DEFENSE ACTIVITIES

To accomplish the above mission and have postattack operational capability, funds are provided to the Department through several sources. The program for stockpiling medical supplies and disaster hospitals and for emergency health readiness in the States is requested separately in a direct appropriation to the Department's Public Health Service titled "Emergency Health Activities."

An allocation from the Office of Emergency Planning in the requested amount of $552,000 is anticipated to finance the following (nonhealth) readiness activities of the Department:

1. *Emergency food and drug protection.*—Measures to maintain purity and safety in the manufacture and distribution of food, drugs, and biologicals under all conditions of national emergency.

2. *Emergency welfare services.*—Measures to provide minimum essential welfare aid, utilizing State and local competency, in order to (*a*) help keep people alive, (*b*) reunite families, (*c*) assist in restoring family and community living conditions.

3. *Regional defense readiness.*—Measures to assure the effectiveness of the Department's preattack emergency responsibilities in relation to the States, and readiness to convert to combined emergency operations with OEP–OCD regions following attack.

4. *Staff support for the Secretary.*—Overall direction and coordination of departmental assignments and emergency preparedness measures for which the Secretary is responsible by Executive order.

Mr. GIAIMO. We will put in the explanation of the increases on page 94, the budget on page 95, the emergency food and drug protection summary on page 97, the emergency welfare services summary on page 98, the regional defense readiness summary on page 99, the staff support for the Secretary on page 100.

(The pages follow:)

EXPLANATION OF INCREASES

*1. Emergency food and drug protection*

The increase of $28,000 requested for this activity would allow two additional instructors in 1966 and annualization of costs for two instructors added in 1965. The increase also provides for travel and other costs related to a 50-percent increase in the number of emergency preparedness training courses.

*2. Emergency welfare services*

The increase of $43,000 requested for this activity is primarily required for two new positions related to the objective of improving State readiness and for annualizing positions added in fiscal year 1965.

*3. Regional defense readiness*

The proposed budget for this activity for 1966 would provide for continuing the same level of staffing allowed for 1965. The additional funds requested are to cover the costs of employment for a full year.

*4. Staff support for the Secretary*

The nominal increase of $500 in this activity will allow operations at the same level approved for fiscal year 1965.

*Financial and personnel summary*

| | 1964 actual | | 1965 estimate | | 1966 estimate | | Change 1965 compared with 1966 | |
|---|---|---|---|---|---|---|---|---|
| | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations | Yearend employment | Obligations |
| Obligations and employment by activity: | | | | | | | | |
| Emergency food and drug protection | 3 | $63,706 | 5 | $63,000 | 7 | $91,000 | +2 | +$28,000 |
| Emergency welfare services | 12 | 206,520 | 18 | 196,000 | 20 | 239,000 | +2 | +43,000 |
| Regional defense readiness | 8 | 125,020 | 9 | 127,500 | 9 | 138,000 | | +10,500 |
| Staff support for the Secretary | 5 | 80,535 | 6 | 83,500 | 5 | 84,000 | −1 | +500 |
| Total | 28 | 475,781 | 38 | 470,000 | 41 | 552,000 | +3 | +82,000 |

*Emergency food and drug protection*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $43,101 | $36,000 | $58,000 | +$22,000 |
| 12 Personnel benefits | 3,181 | 3,000 | 4,000 | +1,000 |
| 21 Travel and transportation of persons | 7,596 | 12,000 | 15,600 | +3,600 |
| 22 Transportation of things | 2,338 | 2,500 | 3,400 | +900 |
| 23 Rent, communications, and utilities | 116 | 200 | 300 | +100 |
| 24 Printing and reproduction | 520 | 5,100 | 1,500 | −3,600 |
| 25 Other services | 872 | 1,800 | 3,000 | +1,200 |
| 26 Supplies and materials | 1,548 | 1,700 | 3,000 | +1,300 |
| 31 Equipment | 4,434 | 700 | 2,200 | +1,500 |
| Total obligations | 63,706 | 63,000 | 91,000 | +28,000 |
| Yearend employment | 3 | 5 | 7 | +2 |
| Average employment | 5 | 4 | 6 | +2 |

*Emergency welfare services*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $176,808 | $151,800 | $185,800 | +$34,000 |
| 12 Personnel benefits | 12,040 | 10,100 | 11,700 | +1,600 |
| 21 Travel and transportation of persons | 8,675 | 16,000 | 19,000 | +3,000 |
| 22 Transportation of things | 139 | 1,500 | 2,100 | +600 |
| 23 Rent, communications, and utilities | 456 | 2,000 | 4,000 | +2,000 |
| 24 Printing and reproduction | 2,532 | 8,500 | 8,500 | |
| 25.1 Other services | 137 | 1,000 | 1,000 | |
| 25.2 Services of other agencies | 2,115 | 2,600 | 3,800 | +1,200 |
| 26 Supplies and materials | 1,969 | 1,800 | 2,000 | +200 |
| 31 Equipment | 1,649 | 700 | 1,100 | +400 |
| Total obligations | 206,520 | 196,000 | 239,000 | +43,000 |
| Yearend employment | 12 | 18 | 20 | +2 |
| Average employment | 16 | 15 | 18 | +3 |

*Regional defense readiness*

| | 1964 actual | 1965 estimate | 1966 estimate | 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $109,243 | $106,655 | $115,645 | +$8,990 |
| 12 Personnel benefits | 7,685 | 7,920 | 8,580 | +660 |
| 21 Travel and transportation of persons | 5,256 | 9,800 | 10,930 | +1,130 |
| 22 Transportation of things | 28 | | | |
| 23 Rent, communications, and utilities | 1,633 | 1,800 | 1,885 | +85 |
| 24 Printing and reproduction | 60 | 100 | 100 | |
| 25 Other services | 226 | 800 | 410 | −390 |
| 26 Supplies and materials | 340 | 425 | 450 | +25 |
| 31 Equipment | 549 | | | |
| Total obligations | 125,020 | 127,500 | 138,000 | +10,500 |
| Yearend employment | 8 | 9 | 9 | 0 |
| Average employment | 10 | 8 | 9 | +1 |

*Staff support for the Secretary*

| | 1964 actual | 1965 estimate | 1966 estimate | Change, 1965 compared with 1966 |
|---|---|---|---|---|
| Obligations by object class: | | | | |
| 11 Personnel compensation | $70,154 | $68,385 | $69,746 | +$1,361 |
| 12 Personnel benefits | 4,729 | 5,146 | 5,254 | +108 |
| 21 Travel and transportation of persons | 1,684 | 2,000 | 2,000 | |
| 23 Rent, communications, and utilities | 1,656 | 2,000 | 2,000 | |
| 24 Printing and reproduction | 344 | 1,139 | 1,000 | −139 |
| 25 Other services | 719 | 2,130 | 2,000 | −130 |
| 26 Supplies and materials | 1,249 | 1,500 | 1,500 | |
| 31 Equipment | | 1,200 | 500 | −700 |
| Total obligations | 80,535 | 83,500 | 83,000 | +500 |
| Yearend employment | 5 | 6 | 5 | −1 |
| Average employment | 6 | 6 | 6 | |

Mr. GIAIMO. Then we will put in the detail of personnel grades on pages 101 through 104.

(The pages follow:)

*Emergency food and drug protection—Detail of personnel grades*

| Title | Grade | 1965 number | 1966 number |
|---|---|---|---|
| Civil defense specialist | GS–12 | 3 | 3 |
| Do | GS–11 | 1 | 3 |
| Various | (1) | 1 | 1 |
| Total | | 5 | 7 |

[1] GS–9 and below.

*Emergency welfare services—Detail of personnel grades*

| Title | Grade | 1965, Number | 1966, Number |
|---|---|---|---|
| Chief, civil defense emergency welfare services | GS–15 | 1 | 1 |
| Emergency welfare services planning officer | GS–14 | 1 | 1 |
| Emergency welfare services research analyst | GS–14 | 1 | 1 |
| State readiness officer | GS–14 | 1 | 1 |
| Emergency welfare services assistant planning officer | GS–13 | 1 | 1 |
| State readiness specialist | GS–13 | 3 | |
| Associate regional representative | GS–13 | 2 | 8 |
| Administrative assistant | GS–9 | 1 | 1 |
| Various | | 7 | 6 |
| Total | | 18 | 20 |

*Regional defense readiness—Detail of personnel grades*

| Title | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Civil defense officer | GS–14 | 1 | 1 |
| Staff assistant for civil defense | GS–13 | 7 | 7 |
| Various | | 1 | 1 |
| Total | | 9 | 9 |

*Staff support for the Secretary—Detail of personnel grades*

| | Grade | 1965, number | 1966, number |
|---|---|---|---|
| Defense coordinator | GS-16 | 1 | 1 |
| Deputy defense coordinator | GS-15 | 1 | 1 |
| Defense planning officer | GS-12 | 1 | |
| Staff assistant | GS-10 | 1 | 1 |
| Various | | 2 | 2 |
| Total | | 6 | 5 |

Mr. GIAIMO. If there are no further questions, that terminates the hearing. We again thank you for coming.

The committee will recess until 10 o'clock Monday morning.

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MONDAY, APRIL 12, 1965.

## LIMITATION ON INDIRECT COSTS ON RESEARCH GRANTS

### WITNESSES

**HON. EMILIO Q. DADDARIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT**

**PHILIP YEAGER, COUNSEL, COMMITTEE ON SCIENCE AND ASTRONAUTICS**

Mr. THOMAS. Gentlemen, will the committee please come to order.

We have the high privilege and distinct honor of having one of our most esteemed colleagues with us this morning, Congressman Emilio Daddario of Connecticut. He is one of our outstanding Members.

Congressman, you certainly do a wheelhorse amount of work on the great Committee on Science and Astronautics. We are delighted and honored to have you with us this morning. We appreciate more than we can tell you, taking time out from your busy day and giving us the benefit of your good judgment.

Mr. BOLAND. May I say I join in welcoming Mr. Daddario to this committee this morning. I think more than most Members of Congress he is interested also in this particular problem. He has made a special study of it because of his position on the Science and Astronautics Committee. I know that he has some information that will be valuable to us in arriving at what ought to be a just area for all the committees of Congress to work in with all of the private institutions and universities in the Nation.

Mr. THOMAS. Mr. Boland, we have another distinguished gentleman, one of the top-ranking staff members, Mr. Phil Yeager, Chief Counsel. Welcome, Mr. Yeager.

Do you have a statement? We want to hear you talk. Tell us what you have on your mind. We welcome the privilege of listening to you.

Mr. DADDARIO. Mr. Thomas, I am pleased to be here. I am appreciative, too, of all the kind things that you have had to say about members, naturally, and about our committee.

I first of all would like to submit for the record a statement by the chairman of the House Committee on Science and Astronautics, George Miller, which explains his point of view.

(The statement follows:)

STATEMENT FOR REPRESENTATIVE GEORGE P. MILLER

Mr. Chairman and members of the committee, my purpose this morning is to present a brief statement in connection with the limitation on reimbursable overhead costs on Federal research grants, which has been carried in various appropriations bills during the past several years. It is my earnest hope that no such limitation will be carried in the independent offices appropriation bill this year. In my view, such a limitation is both inequitable and uneconomical.

I will leave to my colleague, Mr. Daddario, who chairs our Subcommittee on Science, Research, and Development, the explanation of why this is so. However, I wish to call your attention to the fact that this matter has been carefully considered by our own Committee on Science and Astronautics for some time.

Individual members of the committee have been concerned about the problem for the past 3 years. Many of us have made our own informal investigation into the problems involved. Then, last year, during May and June, our Subcommittee on Science, Research, and Development held hearings on the subject. Every Government agency involved in research and development testified, as well as representatives from the academic and scientific communities.

As a result of these hearings the subcommittee issued a report recommending the elimination of limits on reimbursable overhead costs on Federal research grants in favor of a policy worked out by the Bureau of the Budget to be handled administratively by the various agencies in a uniform fashion. The subcommittee's report was unanimously adopted by our full committee this year and submitted to the House as House Report No. 144.

Mr. Chairman, I commend this report to you and your committee members and herewith offer it for the record and for whatever use you may wish to make of it. It is my belief that it will be helpful to the considerations of this committee.

Thank you for the opportunity to present this statement.

Mr. DADDARIO. Mr. Chairman, in addition to Mr. Miller's statement on this subject, I would like to call to your attention the fact that this question of indirect costs has been a subject of concern to the House Committee on Science and Astronautics for some time. We point out in our report on the question of indirect costs under Federal research and grants, which is a full committee report, that back in July of 1962 the Committee on Science and Astronautics began looking into this subject. We had a hearing with the space agency and with the National Science Foundation and we came to the conclusion then that it seemed likely there were certain inequities involved. We decided that we ought to look into this subject more carefully.

Shortly before that, President Kennedy had indicated his feeling on this, and on page 4 of our report we quote him. Among other things he said:

> * * * A statutory limitation is, therefore, unnecessary if the purpose of the Congress is to prevent windfalls to research institutions.

Added to that is a further fact that in the budget message which President Johnson delivered to the Congress this year, he said he believed that this limitation should be removed.

The report that we have submitted is a result of hearings which took place last year; and we have had the opportunity to add to that the new Circular A–21 which the Bureau of the Budget issued in March. This is included in the report as an appendix. Circular A–21 is aimed at eliminating any problems that might exist in arriving at an equitable figure for indirect costs. I think it is quite important that this circular be examined carefully because it does have in it the guidelines necessary to help the various agencies survey and overcome the difficulties involved in such programs. It is a very inclusive docu-

ment. It indicates a great deal of effort, and I know that the Bureau of the Budget has worked it out in conjunction with all of the people who are involved in this field.

The indication we got, Mr. Chairman, was that there was no agency nor any private organization which felt that the percentage limitation is warranted. I was not compelled so much by that, insofar as my own final conclusions were concerned, as by the fact that both the Bureau of the Budget and the GAO felt that the limitation was unnecessary and that they could, by using Circular A–21 as it has been now formulated, come to a determination on proper overhead costs which would, in the final analysis, prevent any featherbedding.

Mr. THOMAS. Will the distinguished gentleman yield?

NASA has a large amount of money involved in research grants. They have a deep and abiding interest in that subject. Is it proper to inquire whether your committee is going to take the limitations off entirely or just what did you all arrive at?

Is it proper to ask that on or off the record?

Mr. DADDARIO. I would like to have that off the record.

Mr. THOMAS. Let that be off the record.

(Discussion off the record.)

Mr. DADDARIO. I have a statement here, Mr. Chairman, which I will submit for the record in addition to these other things that I have said.

I think it is important for us to consider that at large universities the overhead cost average is 28 percent. At the smaller schools the overhead cost average is 32 percent. The fact is, too, that in many places where a 20-percent limitation is imposed, this becomes almost a flat fee when in fact the cost may be less than that.

The problem is how to take a look at all of these figures all the way down the line so that where there is a legitimate cost that goes beyond the limitation, the school will not be forced to ante up its own money from other sources and therefore create an imbalance between science and the humanities.

President Kingman Brewster of Yale pointed out that he was forced in his school to take some money from other funds to make up for the overhead costs which the Government would not pay. This may have created, in a sense, an imbalance.

Mr. THOMAS. What items generally did you find in your studies that run throughout all the indirect cost items? Name some of the items, if it is convenient for you. Do you recall? Some of those items would be common to any university or college, big, small, or medium, would they not?

Mr. DADDARIO. We found that the greatest problem, Mr. Chairman, was in the method of approach to overhead costs; that there was no fixed standard which the Government could find that would be applicable in all instances.

Also, a university might, for example, charge $5 per hour for an overhead cost in one area and another university could charge $7.65 for precisely the same thing. Yet each one of them would be legitimate, depending on their particular method of accounting.

Mr. THOMAS. Use of the room?

Mr. DADDARIO. Use of a room, or stenographic pool, or library services, or how the computer was utilized throughout the school, or even a

researcher's time. Yet each witness who came before us, and especially the Bureau of the Budget and GAO witnesses, said that they could not nail these down in advance. They could tell when it is legitimate to charge $7.65 an hour or $5 an hour as one witness pointed out to us—Dr. Calhoun of the Department of the Interior.

I thought Dr. Kingman Brewster's statement was important. He pointed out, and I quote him:

> * * * liberal arts and science university is forced to put up part of the cost of scientific research supported by the Government; that money must come at the expense of something else.

Dr. Longenecker of Tulane University stated that his school had to dig up last year $500,000 in order to pay the difference on unallowed overhead costs and these funds were actually taken from gifts of earlier years which would enable him to meet that particular situation. So there was in the testimony from competent and reliable people direct information that a strain is placed on the universities so participating. It could be traced down to actual dollars and cents because it involved the university taking funds from one place and paying the difference which existed after receiving Government reimbursement for work done.

Mr. THOMAS. Let me give you the benefit of our experience in here. I think that I can speak with complete unanimity for every member on the subcommittee. We find through long years of experience if there is anybody on earth that can stretch a dollar, and get 101 cents out of it, it is the colleges and universities. They can get more out of a dollar: I just do not know why. If the Government could do as well with its money as these colleges and universities do with theirs, I think we would save a whole lot more than we are saving.

Mr. DADDARIO. I agree that the universities do somehow make their ends meet, Mr. Chairman. But I know it is not without a great deal of effort on their part. I happen to be a trustee of my own school, Wesleyan University, which over the course of time has had a large development program. I know the effort that is made to collect funds from outside sources and the great responsibility that there is to maintain a school of high quality under the difficult circumstances of today's rising costs and problems involved in developing an academic center of excellence.

I do think, whenever the Government is involved—difficult as it might be and even though it may appear in some instances as though there is overpayment—that if we take a look at the whole broad spectrum of indirect costs in a flexible manner, as would be the case with A–21 applied, that we would come out just about where we are now with a flat ceiling imposed; that is, where cost to the Government is concerned. The present system does appear to me to be an imposition of an unnecessary nature; one which in certain places causes great difficulty.

I would not think that any Member of Congress would want Tulane University to pay out half a million dollars more a year. And we know it happens in other places as well.

The testimony which was brought before us, when we looked into this last year, indicates very strongly that the ceiling limitation is an unnecessary one and one which the Congress should relieve the uni-

versities of. In so doing it would conform with President Johnson's recommendation.

I call attention——

Mr. JONAS. Would you yield?

Mr. DADDARIO. Yes.

Mr. JONAS. Do you feel or do the universities that testified feel that they derive any benefit out of these research grants?

Mr. DADDARIO. There is no question, Mr. Jonas, that this is so. However, in those instances where a university has an interest in developing a certain idea which it develops through negotiations with the Government, it often does have a cost-sharing proposition. This is in another category altogether.

Mr. JONAS. Most if not all of the grants are initiated by the universities—the applications; are they not?

Mr. DADDARIO. Most of them.

Mr. JONAS. They are projects the universities are interested in or seeking the grants for and seeking research activities on their campuses; is that not true?

Mr. DADDARIO. I think it is probably in balance, about half a dozen of one and six of the other. The Government is actually seeking to place research grants and grants in many of the universities to develop things which the Government itself is interested in. The relationship between the Government and the universities is of extreme importance from the point of view of generating the knowledge necessary to maintain both the security and industrial capacity of the country. It does not work just in one direction. If it were to be only for the benefit of the universities, I do not think there would be any question that there should be a sharing.

Mr. JONAS. I did not mean to intimate that was soley for the benefit of the university. I wanted the record to show that in most cases at least the universities are seeking these grants or, in many of them, feel that there is prestige involved and that they have a direct benefit flowing to them from the research conducted on their campuses.

Mr. DADDARIO. The National Science Foundation would fall in that category, Mr. Jonas. In the Department of Defense, Atomic Energy Commission, National Aeronautics and Space Administration, it is more the agency which seeks the competence within these universities in order to develop its own program. When I say "it," the program of the agency rather than the program of the university. This could lead into other problems, because it gets into the geographical distribution of research funds and how we finally evolve a proper distribution of necessary knowledge throughout the country. That is another argument altogether.

Mr. JONAS. The issue then, is not: Shall the Government refuse to pay any indirect costs, but what proportion?

Mr. DADDARIO. Yes.

Mr. JONAS. We are paying a substantial part of the indirect cost now?

Mr. DADDARIO. That is correct. This should be applied to those places where there is a partnership between the two; where the university does have something which it calls to the attention of the Government and the Government then develops it. In these instances the universities do share in costs. If you have the AEC or the National

Aeronautics and Space Administration which wants to do some work in radiation, for example, it goes to a university which has developed a competence in that particular area or asks them to do something about it. In this instance if there is an overhead cost which the university then must share in, in my opinion, this is an inequity because it is for the full benefit of the Government even though it may also help to develop the quality of the university. It is incidental to the original intent of that kind of a negotiation which develops in either a grant or contract.

Mr. THOMAS. Do you want to insert your prepared statement in the record verbatim? You have shed more light on this subject in 5 minutes than we have had in the last 3 or 4 years. I think your statement is compelling.

(The statement follows:)

STATEMENT FOR REPRESENTATIVE EMILIO Q. DADDARIO

Mr. Chairman and members of the committee, as Mr. Miller has pointed out, the Committee on Science and Astronautics has unanimously accepted the view that a flat limitation on reimbursable overhead costs, in connection with Federal research grants, creates more problems than it solves.

It would have been hard for us to reach any other conclusion since we could find no one in either the executive branch or in a private capacity who approved of the flat percentage limitation.

Not merely do the departments and independent agencies oppose it—so do the Bureau of the Budget and the General Accounting Office.

Moreover, I should like to remind the committee that President Johnson, in his budget message to the Congress this year, also recommended the removal of these limitations.

What is wrong with the percentage limitation? We believe the main difficulty is that the educational and nonprofit institutions which undertake research with Federal grants often find such projects are putting them out-of-pocket. The cost of doing the research, which is undertaken primarily for the benefit of the Government and the Nation, is not entirely reimbursed. Legitimate indirect costs simply amount to more than the 20 percent of direct costs which is allowed. When this happens the institution doing the research must make up the difference—must take the money away from other operating revenues or out of endowment. Thus, for the sake of science, the arts and humanities may be penalized. As Kingman Brewster, president of Yale University, told our subcommittee:

"If a liberal arts and sciences university is forced to put up part of the cost of scientific research supported by the Government, then that money must come at the expense of something else. Most likely it will be taken from less well supported areas—areas where talent is not as hard to come by because the Government has not bid up the price of scholarship."

Let me give you a concrete example, which was also reported to us in our hearings. Dr. Herbert Longenecker, president of Tulane University, testified that:

"At Tulane, our estimate is that it will be necessary to allocate more than $500,000 this year to meet unreimbursed indirect costs of Federal research grants * * * Fortunately, a pool of unrestricted gifts of earlier years will enable us to meet the current situation, but as those gifts have been functioning as part of Tulane's endowment fund, a continuing resource for Tulane is thereby diminished."

It is necessary to emphasize at this point that the 20 percent limitation would perhaps have more utility if all grantees used one method of bookkeeping; but they don't. So 20 percent of direct costs for one institution may apply to a dozen charges of one kind and 20 charges of another kind at another institution. This is distinctly inequitable.

The fact is that low overhead does not automatically reflect efficiency nor does a high overhead necessarily indicate inefficiency and waste. Usually, it simply reflects variations in bookkeeping practices. Dr. John Calhoun, science adviser for the Interior Department, points out that a scientist's services on a given research project may be computed by one institution at $5 per hour and by another

institution at more than $7 per hour. Yet both methods of computation are entirely legitimate.

While we cannot entirely substantiate it, there are strong indications that the limitation may actually cause the Government to lose money. There are two reasons for this: One is that when a 20 percent limitation is established, there appears to be a tendency for every grantee to get an allowance of at least 20 percent—even though some of them would be able to get by on lower percentages. The second reason is that the legislative limitation applies only to grants and not to contracts; consequently, although a research grant may be more appropriate and simpler to administer, the contract device may often be used to avoid the indirect cost limitation and at greater administrative expense.

In conclusion, Mr. Chairman, I should like to emphasize that if the limitation is removed, this does not mean that a hiatus will occur.

As you may know, the Bureau of the Budget has now worked out, after several years of diligent preparation with Federal and private officials, a careful plan to provide for reasonable overhead allowances. The Bureau of the Budget Circular A–21, as revised and promulgated on March 3, 1965, is designed to provide uniform treatment by all Federal agencies in determining reasonable and proper overhead allowances.

If members of the committee should wish to study and peruse Circular A–21, and perhaps see for themselves the complexity of this operation and the care with which audit procedures are now set up, they will find the complete text of the new circular contained in the appendix of our House Report No. 144, entitled "Indirect Costs Under Federal Research Grants."

Thank you, Mr. Chairman, for the opportunity to appear and present my views.

Mr. THOMAS. It is a mutual proposition and in my part of the country it is a high honor for these universities to receive research grants. On the other hand, the Government is really paying for something that it is looking for. Overall, I think it is a great program. What the Government is putting into universities is getting bigger and bigger every year. Every agency is getting into the act. I can remember when the old National Advisory Committee on Aeronautics first started. Since then Defense has gotten into it. Everybody is in the act.

Mr. EVINS. This is a fine statement.

Mr. THOMAS. That is an excellent statement.

Do you have any comments in that report that ought to be in the record?

Mr. DADDARIO. I have some.

Mr. THOMAS. You indicate what ought to be in the record.

Mr. DADDARIO. If I might be able to have an opportunity to put them into the record once I receive a copy of the transcript.

Mr. THOMAS. Put what you want in the record.

Mr. DADDARIO. Fine.

(The information follows:)

FINDINGS FROM HOUSE REPORT NO. 144, 89TH CONGRESS, 1ST SESSION

[Government and Science No. 5—Indirect Costs Under Federal Research Grants—Report of the Committee on Science and Astronautics, U.S. House of Representatives]

CONCLUSIONS

1. The committee concludes that the imposition of a flat percentage limitation on the reimbursement of indirect costs under research grants is inequitable and, in many instances, diminishes other sources of university funds—such as endowments and students fees—requiring transfer of funds from other university programs in order to reimburse costs incurred through Federal grant administration activities.

2. The committee believes that a set of regulations dealing with a broad range of Government-university indirect costs relationships, similar to the Bureau of

the Budget Circular A–21, should be given a reasonable trial period of operation in the executive branch and that the principles incorporated therein should be applied as uniformly as feasible by all Federal agencies.

3. The committee believes that the single manager concept is a realistic and effective method for reducing administrative problems associated with research so far as auditing is concerned. The committee further believes that Government agencies may, in time, find the concept useful in other areas of grant and contract administration.

4. The committee endorses the concept of encouraging universities to share a portion of the costs of research projects where the university has a strong self-interest in the project. However, cost sharing should be agreed upon and understood in advance by all parties involved in the research agreement and not later forced upon grantees through the medium of unreimbursed indirect costs, or resorted to merely as a means of extending the scope of an agency's available research and development funds.

RECOMMENDATIONS

In view of the foregoing, the committee recommends that—

1. the Congress omit percentage limitations pertaining to the reimbursement of indirect costs under Federal research grants in future appropriation acts;

2. the Bureau of the Budget's Circular A–21, currently under revision, be placed in operation by all Federal agencies as soon as feasible for a reasonable trial period;

3. if such trial period experience with administrative handling of a uniform overhead reimbursement policy proves unworkable or demonstrates statutory need, the Congress enact legislation putting appropriate indirect cost principles into effect for all Government agencies;

4. the administration take measures to develop and promulgate a single set of uniform administrative and fiscal procedures, including those of audit and management for all Government agencies awarding research grants;

5. the Bureau of the Budget, upon completion of its current study on the administration of Government-supported research at universities and other nonprofit institutions, prepare, for preliminary analysis and review by interested parties, criteria for cost sharing based on the mutual interests of institutional grantees and Federal grantor agencies.

Mr. DADDARIO. I would like to state one thing out of the circular A–21 which seems to me to be important, especially in view of what Mr. Jonas said. That goes to the statement of purpose and scope, section 1 "B", where it says:

* * * Each college and university possessing its own unique combination of staff, facilities, and experience should be encouraged to conduct research in a manner consonant with its own academic philosophies and institutional objectives.

I think it is an important part of this question.

Mr. Chairman, thank you very much.

Mr. THOMAS. We thank you and we thank your chief counsel for coming with you.

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## HARRISBURG FEDERAL OFFICE BUILDING

### WITNESS

### HON. JOHN C. KUNKEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. THOMAS. Gentlemen, we have with us this morning one of our distinguished statesmen. He is an oldtimer here. Our very distinguished friend, John Kunkel, of Pennsylvania, who is certainly one of

the outstanding Members of Congress. He has been outstanding for a long time.

How long?

Mr. KUNKEL. Twelve years and then I was out for 10. Now I have been back for 4.

Mr. THOMAS. You are good for 30 more. Good luck to you.

Mr. KUNKEL. This is my ninth term.

Mr. THOMAS. We welcome the privilege and pleasure of having you come and give us the benefit of your good judgment. Whatever you have to say, we welcome. Do you have a statement? Put it in the record verbatim and ad lib or do whatever you want to.

Mr. KUNKEL. I thought I would read it because I did not have time to have a duplicate copy made.

I am appearing to reaffirm the desire of interested agencies and individuals in my district for construction of the planned Federal office building and courthouse in Harrisburg to proceed at the earliest possible date. Federal agencies there are badly in need of additional working space and this project will greatly improve Government services for central Pennsylvania.

I know you have all the background. You have granted the preliminary moneys for the study. The reason I came over today is because a new factor enters into our desire for an early start of prompt construction this year. This is the planned closing of the Olmstead Air Force Base located at Middletown just outside of Harrisburg. At that base they have been employing 11,000 people, civilian employees, plus about 2,000 military. It is being phased out. The phase-out has already started. It will be phased out completely by the end of 1968, but certainly by 1969.

In addition to the 13,000 jobs lost there, we lost the purchasing power of the Middletown Depot. There are a lot of collateral jobs that will go out in the way of people providing goods and services to the employees down there. The expenditure is $6,732,000 on the Federal office building and courthouse over the next couple of years. It will be a big help for us at this time.

As you are no doubt aware, efforts at economizing prevented the appropriation request from reaching this committee last year and we were certainly able to sympathize with that motive. However, I see no good reason now for putting off construction any longer, particularly in view of the Middletown situation.

The project fits in with the schedule of the General Services Administration this year. They have recommended it. The Budget Bureau has approved it. In addition, plans for the building were completed and accepted in September of 1963. I do not think it is necessary for them to gather dust yet another year. So I hope and trust there is no question of your support of this appropriation.

Mr. THOMAS. That is a good statement, Mr. Congressman. The committee will try to help you build a good building.

Mr. KUNKEL. Thank you very much. I appreciate the courtesy.

Mr. THOMAS. Come back and see us again. Come in and sit with us sometime. Help us a little.

Mr. KUNKEL. I think you gentlemen do a wonderful job. I do not think you need any help.

MONDAY, APRIL 12, 1965.

## TAX COURT BUILDING

### WITNESS

### HON. JOHN M. SLACK, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. THOMAS. We have with us this morning one of our very able and distinguished Members, and a member of the Appropriations Committee, Mr. Slack, of West Virginia.

Mr. Slack, it is a privilege and a pleasure to welcome you. We will be delighted to have you give us your good advice.

Mr. SLACK. Thank you, Mr. Chairman. I appreciate very much, indeed, the opportunity to appear before you in connection with the budget request for funds for the purpose of initiating a course of action to provide a separate and distinct domicile for the U.S. Tax Court.

This request for funds is a natural outgrowth of the changing functions and growing importance of the court, and I believe the budget request might well be considered against the background of what has transpired and what is in prospect where the work of the court is concerned.

The Tax Court was originally established as the Board of Tax Appeals, an independent agency within the executive branch of the Government by act of Congress in 1924.

By act of Congress in 1926, the functions and jurisdiction of the court were changed somewhat, making the Board tantamount to a trial court in Federal tax matters, having only judicial functions. By virtue of the 1926 act, the determination of the Board became final with respect to the taxpayer's tax liability for a given year unless appealed to the U.S. Court of Appeals. The purpose for creation of the Board was to permit taxpayers to have their tax liability determined judicially without having to pay the tax first and later suing for a refund thereof in the U.S. district courts or the Court of Claims.

In 1942, the name of the Board of Tax Appeals was changed to the Tax Court of the United States and its members were designated judges, although it was to remain an independent agency within the executive branch of the Government. Its functions were not changed and those functions have always been entirely judicial in nature, the court having no investigatory, administrative, or other nonjudicial functions. It is still the only court in the Federal system in which a taxpayer can have a judicial review of his tax liability without having to pay the tax first. As such it handles by far the greater amount of the Federal income, estate, and gift tax litigation. Its caseload has always been heavy. About 5,000 petitions are filed each year and a like number of cases are disposed of by settlement or litigation during the average year. There are presently about 10,000 cases pending before the court involving about $1,290 million in deficiencies determined to be due by the Commissioner of Internal Revenue.

By whatever name it is called, and in whatever branch of the Government it is placed, the Tax Court has become an indispensable and very important part of the Federal judicial system. It is therefore

most important from the standpoint of the Government to do everything reasonably possible to enhance the image of the court in the eyes of the public as an independent judicial tribunal deciding impartially legal disputes between the taxpayers and the Government. Such an image is not fostered in the eyes of the taxpayer when he finds that the Tax Court is housed in the Internal Revenue Biulding as a virtual tenant of the Commissioner of Internal Revenue, who is the taxpayer's opponent in every case filed in the Tax Court.

The Secretary of the Treasury, the General Services Administration, and tax lawyers throughout the country, as well as the Tax Court itself, are all very cognizant of the fact that the Tax Court is improperly housed in the Internal Revenue Building. This physical proximity of court and Commissioner gives taxpayers, as well as lawyers not sophisticated in the tax practice, the unfavorable impression that the Tax Court is simply another step in the administrative procedure within the Internal Revenue Service for disposition of tax cases, and that the court is housed in the Internal Revenue Building to facilitate this procedure. This makes it difficult to convince a disgruntled taxpayer who has lost his case that he has received an impartial judicial trial of his tax controversy in the Tax Court. This impression also makes it more difficult for the Tax Court to function judicially because some lawyers who are not tax practitioners often think pleadings and evidence can be presented to the Tax Court in the same informal manner they are presented in the administrative procedures for settlement of tax controversies within the Internal Revenue Service.

In addition to the above, the Internal Revenue Service is urgently in need of the space within its own building now occupied by the Tax Court. Because of the special need of a court for courtroms and other special-function space, the General Services Administration has concluded that it is better to house the Tax Court in a separate building constructed for the purpose rather than attempt to house it in an office building with other agencies. Furthermore, it is important in maintaining the status of the Tax Court as an independent judicial body, that it be housed in a courthouse separate and apart from other governmental agencies which may be larger and better known to the public.

It is my understanding that when the Internal Revenue Building was first constructed the Board of Tax Appeals was housed therein, supposedly on a temporary basis. As often happens the temporary basis has been extended for about 30 years. The Tax Court made every possible effort to be included in the new courthouse being constructed on Lafayette Square for the Court of Claims and the Court of Customs and Patent Appeals, but there was insufficient space available at that location so the Tax Court was left out. It is believed that the Tax Court is now the only remaining Federal court which is not housed in a separate courthouse.

From this record of growth in service and responsibility, it is apparent that the Tax Court is a permanently established part of our Federal Government which must be relied upon increasingly during coming years to function in a climate where differences between individual taxpayers and the Internal Revenue Service can be resolved impartially.

With the known probable growth in our population and the increasing complexity of our economy, we must anticipate a growing

number of cases before the Tax Court in future years. Any means or device which will offset the suggestion that the court is merely an arm of the Internal Revenue Service will, in the long run, strengthen the position of the Federal Government in the collection of internal revenue. It will contribute toward a feeling of confidence in the fairness of internal collection procedures and taxes will be paid more willingly if there is a suitable outlet for the presentation of cases involving special circumstances affecting various citizens.

For this reason alone, if no other, there is a great deal to be said for an independent physical location for the court, in view of its assigned mission, and I, therefore, urge favorable action on this request for funds for the Tax Court on the basis of this most important consideration.

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MONDAY, APRIL 12, 1965.

## TAX COURT BUILDING

### STATEMENT OF HON. DANIEL J. FLOOD

Mr. THOMAS. The committee is in receipt of a letter from our colleague from Pennsylvania, Hon. Dan Flood. Mr. Flood is interested in the proposed Tax Court. We will insert his letter in the record.

(The letter follows:)

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
*Washington, D.C., April 12, 1965.*

HON. ALBERT THOMAS,
*Chairman, Subcommittee on Independent Offices,*
*House Committee on Appropriations,*
*House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: I have been asked to support the request for appropriations required to begin the building project planned to house the Tax Court of the United States in Washington, D.C. This, Mr. Chairman, I am most happy to do.

I believe, because of the great importance and vital function of this court, that it badly needs and should have its own building and should not be required to operate within the building confines of another governmental agency as it does at the present time.

Because it is presently located in the same structure as the Internal Revenue Service and the Office of the Chief Counsel of the Internal Revenue Service, I am sure this arrangement creates the impression that the court is part of the Internal Revenue Service and the Treasury Department.

Moreover, I understand that the Tax Court is the sole Federal court in Washington, D.C., that does not have its own building. The reasons for independence for any of the other Federal courts apply equally to the Tax Court, and to the litigants who file their cases with this court and must appear before it the integrity and impartiality of the court are extremely important. Therefore, it should and must be a distinct and separate entity in both the minds of the litigants as well as in the minds of the public in general. And, one of the most effective ways of doing this is to separate it physically from any other building complex housing governmental agencies.

For these reasons, Mr. Chairman, I respectfully urge the approval of the necessary funds for the approximately $450,000 needed for the development of plans for this badly needed building for the Tax Court on a site that I understand is already owned by the Federal Government.

Thank you for permitting me to submit this supporting statement for the record of hearings by your subcommittee on this matter.

Sincerely yours,

DANIEL J. FLOOD, *Member of Congress.*

## TAX COURT PUBLIC BUILDING

### WITNESSES

**HON. NORMAN O. TIETJENS, CHIEF JUDGE, TAX COURT OF THE UNITED STATES**
**HON. WILLIAM M. DRENNAN, JUDGE, TAX COURT OF THE UNITED STATES**
**OTTO W. SCHOENFEEDER, ADMINISTRATIVE OFFICER OF THE TAX COURT**

Mr. THOMAS. We have with us this morning our most distinguished judges. We are delighted and honored at all times to have these judges from the Tax Court. It is a privilege and pleasure to work with Chief Judge Tietjens, Judge Drennan, and Mr. Schoenfeeder, the administrative officer.

Do you have a statement for us? If you do, insert it and tell us what you have on your mind.

(The statement follows:)

TAX COURT OF THE UNITED STATES,
*Washington, April 12, 1965.*

Hon. ALBERT THOMAS,
*Chairman, Subcommittee for Independent Offices,*
*House Appropriations Committee,*
*U.S. House of Representatives,*
*Washington, D.C.*

DEAR CHAIRMAN THOMAS: As the judge in charge of the Building Committee of the Tax Court of the United States I respectfully submit this statement to your subcommittee in behalf of the court in support of the request of the General Services Administration for $450,000 in the independent offices appropriations bill for 1966 for planning and design of a courthouse in Washington, D.C., in which to house the Tax Court.

The Tax Court is interested in this project for two principal reasons: (1) To move the Tax Court out of the Internal Revenue Building, where it is now housed, and thus separate the court and the Internal Revenue Service physically, as they are separated functionally; and (2) to provide appropriate and proper housing for the court which will promote the image of the Tax Court as an independent and impartial judicial tribunal deciding legal disputes between the Commissioner of Internal Revenue and taxpayers. For reasons mentioned below we believe tihs objective, if accomplished, will be of benefit to the Government, to the taxpayers, and to the functioning of the Tax Court as well.

The Tax Court was originally established as the Board of Tax Appeals, an independent agency within the executive branch of the Government, by act of Congress in 1924. By act of Congress in 1926, the functions and jurisdiction of the Board were changed somewhat, making the Board tantamount to a trial court in Federal tax matters, having only judicial functions. The purpose for the creation of the Board was to permit taxpayers to have their tax liability determined judicially without having to pay the tax first and suing for a refund thereof in either the U.S. district courts or the Court of Claims as was the situation prior to establishment of the Board. Under the 1926 act, the determination of the Board becomes final with respect to a taxpayer's tax liability for a given year unless appealed to the U.S. Court of Appeals.

In 1942, the name of the Board of Tax Appeals was changed to the Tax Court of the United States and its members were designated judges, although for reasons apparent in the record of the committee hearings on the bill, it was to remain an independent agency within the executive branch of the Government. Its functions were not changed and those functions have always been entirely judicial in nature, the court having no investigatory, administrative, or other nonjudicial functions. It is still the only court in the Federal system in which a taxpayer can have a judicial review of his tax liability without having to pay

the tax first. As such it handles by far the greater amount of Federal income, estate, and gift tax litigation. Its caseload has always been heavy. About 5,000 petitions are filed each year and a like number of cases are disposed of by settlement or litigation during the average year. There are presently about 10,000 cases pending before the court, involving about $1,290 million in deficiencies determined to be due by the Commissioner of Internal Revenue.

There are 16 judges on the court, plus 6 retired judges who have been recalled for active duty. The court has its own administrative office, its own clerk's office, and does all its own recordkeeping and publication of its opinions. The court has nationwide jurisdiction and hears cases in about 50 different major cities throughout the United States each year.

The Tax Court has become an indispensable and very important part of the Federal judicial system. It is therefore most important from the standpoint of the Government to do everything reasonably possible to enhance the image of the court in the eyes of the public as an independent judicial tribunal deciding impartially disputes arising under the internal revenue laws between the taxpayers and the Government. Such an image is not fostered in the eyes of the taxpayer when he finds that the Tax Court is housed in the Internal Revenue Building as a virtual tenant of the Commissioner of Internal Revenue, who is the taxpayer's opponent in every case filed in the Tax Court.

The Secretary of the Treasury, the General Services Administration, and tax lawyers throughout the country, as well as the Tax Court itself, are all very cognizant of the fact that the Tax Court is improperly housed in the Internal Revenue Building, as evidenced by a letter from former Secretary of the Treasury Dillon and a letter from the president of the American Bar Association, which, I believe, have been written to you in support of this project. The physical proximity of the court and the Commissioner gives taxpayers as well as lawyers not sophisticated in tax practice the false impression that the Tax Court is simply another step in the administrative procedure within the Internal Revenue Service for disposing of tax cases, and that the court is housed in the Internal Revenue Building to facilitate this procedure. This makes it difficult to convince a disgruntled taxpayer who has lost his case that he has received an impartial judicial trial of his tax controversy in the Tax Court. This impression also makes it more difficult for the Tax Court to function judicially because some lawyers who are not tax practitioners are under the misapprehension that pleadings and evidence can be presented to the Tax Court in the same informal manner they are presented in the administrative procedure for settlement of tax controversies within the Internal Revenue Service.

In addition it is our understanding that the Internal Revenue Service is urgently in need of space within its own building now occupied by the Tax Court. Because of the special needs of the court, for courtrooms and for other special function space, General Services Administration has concluded that it would be more practical to house the Tax Court in a separate building constructed for the purpose. Furthermore, it is important in maintaining the status of the Tax Court as an independent judicial body that it be housed in a courthouse separate and apart from other governmental agencies which may be larger and better known to the public.

It is my understanding that when the Internal Revenue Building was first constructed the Board of Tax Appeals was housed therein, supposedly on a temporary basis. As often happens, the temporary basis has been extended for about 30 years. The Tax Court made every possible effort to be included in the new courthouse being constructed in Lafayette Square for the Court of Claims and the Court of Customs and Patent Appeals but there was insufficient space available at that location so the Tax Court was left out. As a result, it is believed that the Tax Court is the only remaining Federal court in Washington which is not housed in a separate courthouse. While this latter fact is not so important to us, we do believe that the court must be moved out of the Internal Revenue Building and if the court is to be moved from its present quarters it would solve the most problems and be most practical to house the court in a separate building built as a courthouse.

In order to reduce the cost of this project the court has discussed with the General Services Administration the possible location of the building on real estate presently owned by the Government, and a suitable site for the building on Government-owned property has been approved by the court and has the tentative approval of the National Capital Planning Commission.

We respectfully urge your committee to include in the 1966 independent offices appropriations bill funds to get this project underway.

Respectfully submitted.

W. M. DRENNEN, *Judge.*

Judge TIETJENS. Mr. Chairman and members of the commitee; we greatly appreciate the opportunity to be here before you all in support of the General Services Administration request for $450,000 in the independent offices appropriation for 1966, for planning and designing of a separate courthouse in which to house the Tax Court.

As the chairman of the building committee of the court I will try to summarize very briefly our reason for supporting this project. As you gentlemen I am sure know, the Tax Court was created originally as a board of tax appeals by act of Congress in the 1920's. The purpose was to provide a forum for tax errors, having been set up to provide a forum for having a tax liability determined without having to pay the tax first and sue for refund in either the U.S. district courts or the Court of Claims. This court by virtue of that handles by far the largest part of the State income and gift tax litigation. Its functions are only judicial. We have no investigatory or administrative or nonjudicial functions.

The caseload of the Tax Court has always been quite heavy. There are about on the average 5,000 petitions filed a year.

Mr. THOMAS. I think that the Tax Court took the lead in showing Government agencies how to handle their backlog. They set it up in divisions. Everybody has a right to appeal that decision. When you get through, it is final and you handle that backlog that way. How far are you behind now?

Judge TIETJENS. I really do not think you would say we are very much behind. We have about 5,000 petitions a year.

Mr. THOMAS. You are as current as anybody ever dreamed of?

Judge TIETJENS. We dispose of about 5,000 in 1 year by settlement or litigation.

Mr. THOMAS. How many divisions in the court?

Judge TIETJENS. Sixteen divisions. Of course, we have the court conference for review of these individual decisions. We do have jurisdiction once the case is filed even though on a deficiency basis, if it is overpayment for that year.

Under our setup, all petitions that are filed by taxpayers are filed against the Commissioner of Internal Revenue. Consequently, the Commissioner is a party litigant in every tax case that comes before us.

Mr. JONAS. May I interrupt? Forgive me if this seems offensive. I do not mean it that way. What is wrong with your present quarters? We do not have anything to do with the jurisdiction of the Tax Court. We have to decide whether you need a new building.

Judge TIETJENS. That is right. Our real reason for wanting new quarters is the fact that I was just coming to.

Mr. THOMAS. Everybody else has them?

Judge TIETJENS. No. Our problem is this: The Commissioner of Internal Revenue is a party litigant in every case in the Tax Court. Despite this fact we have been housed in the Internal Revenue Building for 30 years. This makes it rather hard to convince a disgruntled taxpayer or unsophisticated lawer that you can get a fair judicial determination in a tax controversy in the Tax Court. It gives the impression, false impression, that the Tax Court is simply another

step in the administrative review procedure within the Internal Revenue Service iself.

This makes it more difficult for us to function because taxpayers will come into court thinking they do not need any formal evidence or any formal pleading or anything like that. Yet, our function is purely judicial.

Mr. THOMAS. Judge, half of your business is out in the circuit. In my town, the court meets and you have the bar there and nice quarters and so forth and so on. Could you not handle at least half of your business or more than half in the circuit?

Judge TIETJENS. Our trial business, yes.

Mr. JONAS. How many cases were disposed of at the local level by one judge? You send a member of your court out to Greensboro, N.C., and he handles 100 cases before he comes back. How many of the cases handled in the field finally come to the full court?

Judge TIETJENS. The cases that we try, the individual division judge writes an opinion on it. He submits it for review by the chief judge. The chief judge can then determine whether or not it should go before the conference, the full court. I do not know what the percentage of that is, but we have a conference most every Friday at which we consider from two to three cases.

Mr. JONAS. On the pleadings or record, or do you have oral arguments and litigants appear before you?

Judge TIETJENS. The litigants do not appear. It is done on the record.

Mr. JONAS. As a matter of fact, only a relatively few of your cases are ever heard by the court en banc, is that true?

Judge TIETJENS. We do not hear any of them en banc. We do consider opinions.

This fact of the impropriety of the court being housed in the Internal Revenue Building was quite forcibly brought home to us about 3 years ago at the tax section meeting of the American Bar Association in which all sorts of accusations were made. It is to dispel this impression that we are primarily interested in getting proper housing.

Mr. THOMAS. Judge, what is the maintenance of operation going to cost after you get that building? You are in Government space and we take a look at maintenance and operation costs of these buildings. What will it cost you to maintain this building for a year?

Judge TIETJENS. I do not have the figures. Mr. Schoenfeeder, do you?

Mr. SCHOENFEEDER. I do not have any idea. There will be additional space that will be provided because that is one of the objectives the court has in moving into more adequate space as far as its facilities are concerned. They are planned for that purpose.

Mr. THOMAS. Is anybody going to share with anybody?

Mr. SCHOENFEEDER. I would imagine there will be some space in the building that will be utilized until such time as further needs of the court are determined.

Mr. THOMAS. This is the whole plan, Tax Court Building and that is it?

Mr. JONAS. Did you consider going in with the Court of Claims?

Judge TIETJENS. Yes, sir, we tried everything we could to get into that building because we thought it would probably be the best solution to all of these problems. When they went into the location down

there at Lafayette Square, there just was not sufficient space to include us in that. We require about as much space as the other two courts combined. We were left out.

Mr. JONAS. All you really need is a library and an office for each judge and a conference room?

Judge TIETJENS. We have secretaries and law clerks, we have our own administrative office. We have our own clerk's office. We have requirements for storage and we have to keep our files.

Mr. THOMAS. How many stories is it going to be?

Mr. SCHOENFEEDER. Probably a five-floor building.

Mr. JONAS. How many people would it house?

Judge TIETJENS. We would think eventually about 240.

Mr. SCHOENFEEDER. There is also need for courtroom space.

Judge TIETJENS. The special-function space required by a court is one thing that GSA has looked into and I think the Public Works Committee looked into that.

Mr. THOMAS. You are going to have to have room where the individual judge sits and hears a case? You are going to have to have at least 8 or 10 small courtrooms?

Judge TIETJENS. Not that many, but we need at least three.

Mr. THOMAS. You need more than three. Do not get it too small. That is a great trouble. Everything we build is too small before it is completed. You ought to have 8 or 10. A lot of times you have seven or eight judges sitting at a time.

Judge TIETJENS. I certainly agree with you it should not be made too small because we are going to have taxes with us for a long time. We will have the Tax Court with us for a long time.

Mr. JONAS. Mr. Chairman, only 71-percent utilization; is not that low?

Mr. THOMAS. That is low.

Judges, we all have a high regard for you. You have a lot of friends here. You certainly have a most important job. Let us take a careful look at it for you. We want to help rather than hurt you.

Judge TIETJENS. We certainly appreciate any consideration that you can give us. We do not think it is a temporary building.

Mr. THOMAS. You will be there for 500 years. Come back and see us again.

Judge TIETJENS. Thank you, Mr. Chairman.

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MONDAY, APRIL 12, 1965.

FEDERAL POWER COMMISSION

WITNESSES

ALEX RADIN, GENERAL MANAGER, AMERICAN PUBLIC POWER ASSOCIATION

LARRY HOBART, LEGISLATIVE DIRECTOR, AMERICAN PUBLIC POWER ASSOCIATION

Mr. THOMAS. Gentlemen, we have Mr. Radin, general manager of the American Public Power Association, accompanied by Mr. Larry Hobart, legislative director.

We welcome both of you distinguished gentlemen here.

Mr. RADIN. Thank you, Mr. Chairman.

Mr. THOMAS. We are delighted to have you. If you have a statement for us insert it verbatim in the record. If you would like to ad lib, we will be delighted to hear you talk.

(The statement follows:)

STATEMENT IN SUPPORT OF FPC APPROPRIATIONS FOR FISCAL YEAR 1966 SUBMITTED BY ALEX RADIN, GENERAL MANAGER, AMERICAN PUBLIC POWER ASSOCIATION

My name is Alex Radin, I am general manager of the American Public Power Association, which represents more than 1,200 municipal and other local publicly owned electric utilities in 45 States and Puerto Rico. Our offices are located at 919 18th Street NW., Washington, D.C.

LOCAL PUBLIC POWER SYSTEMS SERVE 30 MILLION AMERICANS

Although the local public power systems serve only about 13 percent of the Nation's electric consumers, they operate more separate electric utilities (about 2,000) than any other segment of the electric industry, and they are second only to the private power companies in the number of consumers they serve. Altogether, the local public power systems serve about 9 million homes, businesses, and industries, or a total of about 30 million Americans.

Many of the local public power systems generate their own power supplies or purchase wholesale power from Federal power systems; however, nearly 1,000 municipally owned utilities purchase all or part of their power from private power companies, and this is perhaps the principal reason for our interest in adequate appropriations for the Federal Power Commission.

Our members have been gratified by the steps which the Federal Power Commission has taken during the past 3 years to live up to its responsibilities in the electric power field.

INCREASINGLY COORDINATED INDUSTRY REQUIRES STRONG REGULATION

Specifically, in conducting the national power survey the Commission has for the first time, attempted to look at the Nation's electric power system as a whole, and to encourage in this country the modern generating, transmission, and power pooling techniques which are already in operation in many of the other major nations. This is one of the most comprehensive studies of the electric industry ever made and it provides some invaluable guidelines for the future.

According to the survey, the immediate future of the electric power industry includes more interregional transmission; more power pooling; bigger generating units and higher transmission voltages; increasing reliance on atomic power; full regional and nationwide coordination of all systems, large and small and, most significantly, a 27-percent cut in the average price of electricity to consumers by 1980—a reduction which would amount to $11 billion annually.

The dominant theme of the national power survey is its emphasis on the substantial economies that are obtainable by moving from isolated or segmented individual system planning and operation, and from existing power pools of limited scope, to fully coordinated electric power networks covering vast areas of the country. Electric power systems that are to survive and grow during this period of rapid technological evolution must be able to participate fully in the benefits of those economies.

What then is to happen to the small systems which, if left to operate in relative isolation, will be prevented from using the new equipment and techniques which will permit the production of lower cost power?

The question is, of course, of great concern to municipal electric systems, because small municipal systems are so numerous. The Federal Power Commission's national power survey notes that 3,190 of the Nation's 3,617 electric systems can be classified as "small"—having annual energy production or requirements of less than 100 million kilowatt-hours. (Assuming an annual load factor in the range of 45 percent, the definition would represent a system with peakload requirements of about 25,000 kilowatts or less.) Included by the FPC in the "small" category are 1,997 publicly owned systems, 904 cooperatively owned systems, and 289 privately owned systems.

Fully effective regulation at the national level must play a key role in insuring that these small, independent electric power systems are permitted to survive and to share in the benefits of increased coordination.

REGULATION CAN PRESERVE COMPETITION BY COMPARISON

Some 200 major power companies are currently considered subject to FPC jurisdiction. Under present law, FPC has authority over these companies to order reasonable and nondiscriminatory wholesale rates, to require interconnections upon complaint, to screen proposals for mergers or disposal of utility property, to review issuance of securities, and to insure that adequate service is provided. By exercising that authority and insuring that wholesale customers are able to obtain fair prices from private power company suppliers, the FPC permits the consumer-owned systems to fulfill their historic yardstick function. This competition by comparison has traditionally served as the most effective method of keeping retail rates down.

Although relationships between many municipal systems and power companies are friendly, reports which APPA constantly receives from member utilities, plus spot checks we have made on our own, show a rather consistent and nationwide pattern of power company wholesale rates that are excessive, and that do not reflect the economies which the companies are receiving from more efficient equipment and liberal tax concessions. In fact, in many cases these are really not wholesale rates at all; they are rates set at a level that is equal to or higher than the charges set by a utility for large industrial customers.

Furthermore, unreasonable conditions frequently are attached to these high rates, making them doubly odious. For example, it is not uncommon for a private supplier to prevent its municipal customer from serving large industrial loads in excess of a stated number of kilowatts of demand. When the municipality complains of the high rates, the company contends that the rates are high because the municipality's load factor is poor; and the load factor is poor, of course, because the municipality cannot accept high load factor industrial loads. Thus a vicious circle is established which penalizes consumers of the public power systems and, by destroying an effective public power yardstick, hurts consumers of the power companies as well.

STATE REGULATION CANNOT DO THE JOB ALONE

With a few notable exceptions, the State commissions have not effectively regulated wholesale rates to municipal systems. We believe that even the most consumer-minded State commissions would find it difficult to regulate wholesale power sales which involve huge, interstate power pools.

PRESENT COMMISSION EFFECTIVE IN REDUCING RATES

In recent years, particularly since the *Colton* decision in 1963, the FPC has made a determined effort to carry out its long neglected responsibilities in the field of regulating interstate wholesale sales of electricity. The following figures amply demonstrate that the effort has produced results:

*Wholesale rates*

| | Reductions | Increases |
|---|---|---|
| Fiscal year: | | |
| 1962 | $127,100 | $2,030,900 |
| 1963 | 1,204,795 | 278,902 |
| 1964 | 1,448,125 | 489,400 |
| 1965 (1st 8½ months) | 7,454,000 | 740,000 |

This new trend of wholesale rate reductions is long overdue. Most of the reductions can and must be passed along to benefit the ultimate consumers of electricity. The members of APPA applaud the FPC in its efforts to bring about just and reasonable wholesale rates and believe it to be essential that the Commission be given the resources to continue to process expeditiously the expanding workload in this area of activity.

MANY MUNICIPAL SYSTEMS BENEFIT

Many municipal systems have already received direct benefits from the FPC's newly acquired determination to discharge its responsibility for the regulation

of wholesale sales in interstate commerce. In the last 6 months alone, Commission action resulted in electric rate reductions totaling $6 million.

Some examples of FPC correction of inequities:

(*a*) The municipal utility of Shrewsbury, Mass., had been served for years by a devious route which brought power to Shrewsbury via two affiliated power companies, both operating at the Shrewsbury substation. The city was forced to pay the higher rates of one of the companies, and went to the FPC for help in obtaining direct service from the company with the lower rate. FPC ruled with the city, and ordered New England Power Co. to serve the municipal utility at its lower rate. Savings to the city are estimated at more than $40,000 annually.

(*b*) Six cities in Wisconsin filed a protest with FPC over a proposed rate increase by Wisconsin-Michigan Power Co. The company had filed new rates which would have increased the cities' wholesale costs from 13 to 30 percent. The cities appealed to FPC to reject the new rate schedule or to provide for hearings on the new rates, contending that their contracts with the company did not provide for such unilateral action. The Commission suspended the rate increase and called for hearings in April 1962. After a full-scale case, the Commission, last June, ordered refunds of almost half a million dollars to nine of the company's wholesale customers. The Commission also recommended a cost-of-service of $1,766,778, a reduction of about $50,000 per year from the company's proposed new rate.

(*c*) The city of St. Michaels, Md., complained to FPC that its municipal utility was being overcharged for wholesale power. The Commission agreed, and ordered a refund to the city, with interest.

(*d*) In the case of Georgia Power Co., FPC issued a "show cause" order in 1963, ordering the company to justify certain dual rates and restrictions on what kind of loads its wholesale customers could serve. Many of the company's contracts prohibited municipalities from serving industrial loads above a certain size. Formal hearings have just begun on this case.

(*e*) An FPC staff study of the operations of New England Power Co., which concluded that the company could afford a substantial wholesale rate reduction while modernizing its system further, was followed within a few months by a company proposal to lower its wholesale rates; an FPC announcement that it would investigate wholesale rates of Potomac Edison in June 1963 was followed about a year later by a rate reduction.

(*f*) A protest filed with FPC by North Attleboro, Mass., was settled when Massachusetts Electric Co. agreed to withdraw an increase in wholesale charges of $38,808, covering an 18-month period.

(*g*) Liberty, Tex., obtained wholesale service from Gulf States Utilities Co. only after instituting a case at FPC. The company's refusal to sell wholesale power to the municipal utility, which competed with the company for retail customers within the city, was part of an effort to take over the municipal system. Following the negotiation of a wholesale power contract, a direct result of the FPC case, Liberty was able to purchase the Gulf States distribution system within the city limits. Substantial savings to consumers through elimination of this duplication are anticipated in Liberty.

### $100 MILLION ANNUALLY AT STAKE

At present the FPC has 35 proceedings and investigations underway in which it is seeking rate reductions or elimination of unfair contract terms. These 35 proceedings and investigations involve a total of 647 wholesale customers, most of which are municipals, and apply to wholesale power bills in excess of $100 million annually. A list of these proceedings and investigations is attached to my statement as exhibit A.

### RATES OF RETURN UNJUSTIFIABLY HIGH

Another of the FPC's functions—one which directly aids State regulatory commissions in their efforts—the gathering and analysis of data, has recently supplied additional evidence of the need for heightened competition in the area of retail rates. An FPC study of the rates of return of 188 class A utilities (those with electric operating revenues of $2,500,000 or more) shows that in 1963 a surprising total of 111 of those utilities enjoyed rates of return of 7 percent or more; 55 companies had a rate of return of 8 percent or more. This despite the

fact that it is generally conceded that a 6 percent rate of return for an electric public utility company is adequate. Strong "competition by comparison" can help to correct this unjustified situation.

ELECTRIC POWER INDUSTRY AND POWER POOLING GROWING RAPIDLY

Today new power pools are springing up in every section of the country. These pools involve many electric companies operating in different States. The national power survey has pointed out that "today 97 percent of the (electric power) industry's generating capacity is to a greater or lesser degree interconnected in five large networks." Power pooling tends to wipe out State lines in the electric industry, thus making effective regulation of wholesale power sales difficult, if not impossible, at the State level. Separate State regulatory commissions cannot deal effectively with private power companies whose service area is multistate in scope and whose complete cost records may be beyond jurisdictional reach. Not only do the activities of individual companies transcend State boundaries but giant power pools are springing up which intermingle electricity on an interstate basis in complicated transactions to create enormous concentrations of financial and economic power which the States are clearly unable to control.

Furthermore, the electric power industry as a whole is enjoying a very healthy rate of growth. Agencies contributing to the public supply of electrical energy in the 50 States produced a record total of 917 billion kilowatt-hours during 1963, the latest year for which reliable statistics are available. This represented an increase of 7.2 percent over production by those same utilities in 1962. The compound annual growth rate of energy produced by electric utilities operating in the 48 contiguous States for the decade ending in 1963, was 7.5 percent. The total net utility plant for electric utilities had a book value at the end of 1963 of about $420 billion; this represents by far the largest aggregate of capital devoted to a single American industry. Both the need for effective regulation of this giant industry, and the difficulty of effecting such regulation, are bound to increase with the passage of time.

FPC APPROPRIATION A SOUND INVESTMENT

The Federal Power Commission's total request for 1966 fiscal year operations is for $13,539,000, an increase of $564,500 over 1965, most of which will cover the cost of increased staff for electric power work. The FPC expects an income of $5,555,362 in 1966 from fees for downstream benefits from Federal projects and fees charged to hydroelectric project licenses. This means that the net cost to the Treasury of the Commission's work in 1966 will be only $7,883,638. (Electric power wholesale rate reductions resulting from vigorous FPC action amounted to $7,454,000 for the first 8½ months of 1965 alone.)

A rate case involves careful and time-consuming staff work. Anyone who has attended a hearing before an FPC examiner in one of these cases is aware that the power companies can afford ample legal and other professional assistance in justifying their rates. The company legal staff invariably outnumbers FPC staff members by 2 to 1, or more.

We urge you to give the Federal agency the resources which it must have in order to do an effective job in protecting the consumer. The Commission is asking for funds to add a net total of 36 permanent staff positions primarily to strengthen regulation of wholesale power rates and to work on the licensing of hydroelectric projects. This modest increase in staff may very well save electric consumers far more in utility bills than is involved in their salaries.

SUMMARY

In summary, our position in support of the FPC appropriation is this: Many municipal electric systems are small, and local public power systems find difficulty in pooling power because of physical isolation. If the Nation's more than 2,000 publicly owned utilities, which serve 30 million Americans, are to participate fully and fairly in the benefits of "bigness" expected with large generating units and extra-high-voltage transmission lines, then they must rely largely on FPC action to insure that private power companies share with them economies of scale. A strong and vigorous FPC is therefore essential to a future wherein the present pluralistic character of the electric power industry—with both large systems and small, both public and private—is preserved and enhanced to insure

that this Nation continues to enjoy a growing supply of electric power at progressively lower cost.

The trend toward giant generation and extra-high-voltage transmission by interconnected power companies, constantly merging into fewer and larger entities, inevitably will render more complex the job of regulation in the public interest. Thus it is inevitable that the FPC will need to add to its professional staff from time to time in order to protect consumers. I submit that an investment in good regulation is one of the best investments that the American taxpayers can make, and urge the committee to approve the full budget request for the Federal Power Commission.

EXHIBIT A.—*Proceedings and investigations underway*

| Name of public utility | Wholesale revenue | Number of wholesale customers | Location of customers by State |
|---|---|---|---|
| Southwestern Electric Power Co | $2,756,992 | 23 | Arkansas, Texas, Louisiana, and Oklahoma. |
| Kentucky Utilities Co | 4,748,702 | 19 | Kentucky. |
| Virginia Electrict & Power Co | 6,822,738 | 37 | Virginia and North Carolina. |
| Pennsylvania Power & Light Co | 1,180,724 | 11 | Pennsylvania. |
| Interstate Power Co | 1,687,436 | 35 | Idaho, Minnesota, Illinois, South Dakota, and Wisconsin. |
| Appalachian Power Co | 2,181,666 | 6 | Virginia. |
| Illinois Power Co | 3,096,410 | 19 | Illinois. |
| Western Light & Telephone Co., Inc | 1,231,185 | 25 | Kansas. |
| Wisconsin Power & Light Co | 5,080,150 | 40 | Wisconsin. |
| Lake Superior District Power Co | 702,812 | 4 | Wisconsin and Michigan. |
| Florida Power Corp | 5,236,416 | 20 | Florida. |
| Central Illinois Public Service Co | 6,562,688 | 26 | Illinois. |
| Pennsylvania Electric Co | 3,707,868 | 19 | Pennsylvania. |
| Arkansas-Missouri Power Co | 824,337 | 6 | Missouri and Arkansas. |
| Missouri Power & Light Co | 375,775 | 7 | Missouri. |
| San Diego Gas & Electric Co | 99,347 | 3 | California. |
| Dayton Power & Light Co | 2,420,621 | 23 | Ohio. |
| Florida Power & Light Co | 1,829,142 | 7 | Florida. |
| Kansas City Power & Light Co | 472,289 | 11 | Missouri and Kansas. |
| Oklahoma Gas & Electric Co | 2,709,772 | 23 | Arkansas and Oklahoma. |
| Public Service Co. of Oklahoma | 5,750,346 | 17 | Oklahoma. |
| Nantahala Power & Light Co | 119,942 | 3 | North Carolina. |
| Central Vermont Public Service Co | 124,855 | 6 | Vermont. |
| Union Electric Co | 1,731,506 | 8 | Iowa and Missouri. |
| Missouri Edison Co | 25,577 | 1 | Missouri. |
| Eastern Shore Public Service Co. of Maryland | 1,057,936 | 15 | Maryland. |
| Northern States Power Co. (Minnesota) | 5,309,461 | 40 | Minnesota, South Dakota, and North Dakota. |
| Wisconsin Michigan Power Co | 1,928,200 | 11 | Wisconsin and Michigan. |
| Delaware Power & Light Co | 2,626,800 | 9 | Delaware. |
| Alabama Power Co | 5,547,894 | 24 | Alabama. |
| Kentucky Power Co | 505,862 | 4 | Kentucky. |
| Georgia Power Co | 14,765,911 | 88 | Georgia. |
| Mississippi Power Co | 2,343,928 | 6 | Mississippi. |
| Duke Power Co | 15,659,004 | 50 | South Carolina and North Carolina. |
| Eastern Shore Public Service Co. of Virginia | 195,310 | 1 | Virginia. |
| Total | 111,446,602 | 647 | |

Mr. RADIN. Thank you. My name is Alex Radin. I am general manager of the Public Power Association, which is a national trade organization representing about 1,200 municipally owned and publicly owned electrical systems in the United States and Puerto Rico. The segment of the industry we represent operates more separate and distinct electric systems, in fact about 2,100 different systems, than any other segment of the industry. We also are second only to the private power companies in the number of customers we serve. Altogether, our portion of the industry serves about 30 million people. We are appearing here in behalf of the Federal Power Commission appropriations and are particularly interested in their appropriations because most of the systems we represent are small systems and buy

power at wholesale, many of them, from large privately owned companies.

Mr. THOMAS. You do not get into the cooperative field?

Mr. RADIN. No, sir; we represent very few cooperatives. Primarily municipally owned utilities. Our systems are quite small and many of them buy power at wholesale from private power companies who are subject to FPC regulation and therefore we are interested in the work that FPC is doing in this field. In fact, about 1,000 of the municipally owned electric utilities buy power from companies that are subject to FPC wholesale rate regulation. They are companies involved in interstate commerce and therefore are subject to their regulations.

We think that the FPC plays a particularly important role at the present time because the industry has become more and more interstate in character. The companies are interconnecting across State lines and they are building giant generating units and transmission lines and the whole character of the industry is becoming more interstate in nature. Therefore, it is more difficult to regulate on the State level.

Mr. THOMAS. Is it not one of the outstanding economic highlights of the last few decades—the even level of power rates throughout the Nation? Do you attribute that to your own efforts and the efforts of your competitors or the efforts of the Federal Power Commission?

Mr. RADIN. I would say that we think that the strongest reason for it is the efforts of our members. Of course, we take a favorable view toward this but our members provide a competitive element in this industry.

Mr. THOMAS. You are in the volume business, mass production. Volume increases as people increase. You have had a lot of things going for you but the industry has done a fine job.

Mr. RADIN. That is right. We think the competition afforded by the municipally owned electric utilities has been an important element in keeping rates low. They have also been leaders in this volume approach that you just mentioned, Mr. Chairman. The consumers of the public-owned systems generally use more power than those of the privately owned companies. They have pioneered in the philosophy of bulk sales of electricity.

In Mr. Evins' area, for example, the municipally owned systems there have an outstanding record of large volume sales of power to residential and other customers. That has set an example in mass distribution of power that has kept unit costs down. As I indicated, we are particularly interested in FPC regulation because 1,000 of the municipal-owned systems buy power from companies that are subject to jurisdiction and we think the Commission has done a very effective job in this field during the past few years.

On page 4 of my statement there is a very brief table that I think is very illustrative of the good work done by the Commission. You will note there that since 1962 there has been a steady increase in the number of and amount of reductions in wholesale rates made by the power companies going from $127,000 in 1962 to almost $7.5 million in the first half—8½ months of the 1965 fiscal year.

The specific examples of the work done by the Commission in the wholesale rate field are shown on pages 5 and 6 of my prepared statement. You will see there, examples of cases in which the Commis-

sion has been very effective in reducing the wholesale rates. They range all over the country from east to west and north to south. At the present time the Commission has 35 proceedings and investigations underway in which it is seeking rate reductions or elimination of unfair contract terms. These 35 proceedings and investigations involve a total of 647 wholesale customers, most of which are municipal systems and applied to wholesale power bills of $100 million annually. A list of these cases or investigations underway is attached to my statement as exhibit A.

The Federal Power Commission's total request for funds for fiscal year 1966, is about $13.5 million or an increase of $564,500 over 1965 fiscal year. Most of this will be to cover the cost of increased staff for electric-power work. The Commission expects income of about $5.5 million in the 1966 fiscal year from fees for downstream benefits from Federal projects and fees charged to hydroproject licenses. This means the net cost to the Treasury of the Commission work in 1966 will be only $7.8 million.

The electric power rate reductions resulting from the FPC actively amounted to about $7.5 million in the first eight and a half months of fiscal year 1965 alone. The Commission is asking for funds to add a net total of 36 permanent staff positions primarily to strengthen regulation of wholesale power rates and work on the licensing of hydroprojects. I think more specifically about 19 of the staff positions are for wholesale rate regulation in the electric-power field. This modest increase in staff may well save electric consumers far more in utility bills than are involved in their salaries. We believe the investment in a strengthened FPC staff is one of the best investments the U.S. Government can make.

Therefore, we urge the full amount of the appropriations.

This completes my statement.

Mr. EVINS. Thank you, Mr. Radin. That was a very nice statement. Would you amplify for the record this statement at the middle of page 4? You show a reduction and show the increases?

Mr. RADIN. Yes, sir. That indicates that there has been a very steady increase in the amount of reductions that have been made in wholesale rates from the period 1962–65. Of significance is the fact that since 1962, the Commission has, for the first time, undertaken a vigorous program of trying to reduce wholesale rates. That is because of the present attitude of the Commission and also because of an important U.S. Supreme Court case. At the same time, the increases made by the power companies in their wholesale rates during this same period have declined very considerably. We think this is very largely due to the fine work of the present Commission in the wholesale rate regulation field.

Mr. EVINS. The consumers are benefiting and generally rates have been held down?

Mr. RADIN. Yes; that is correct.

Mr. EVINS. This is one commodity that has not risen substantially over the years?

Mr. RADIN. That is correct.

Mr. EVINS. Any questions?

If not, thank you, Mr. Radin, for your fine statement.

Mr. RADIN. Thank you very much, Mr. Chairman.

MONDAY, APRIL 12, 1965.

PROGRAMS OF THE HOUSING AND HOME FINANCE AGENCY

WITNESS

ROYE L. LOWRY, EXECUTIVE SECRETARY, FEDERAL STATISTICS USERS, CONFERENCE

Mr. THOMAS. Gentlemen, we have with us Mr. Roye L. Lowry, executive secretary of the Federal Statistics Users' Conference.

We are delighted to have you. If you have a prepared statement, put it in the record and talk to us.

(The statement follows:)

STATEMENT OF ROYE L. LOWRY, EXECUTIVE SECRETARY OF THE FEDERAL STATISTIC USERS' CONFERENCE

The members of the Federal Statistics Users' Conference are business firms, labor organizations, and nonprofit organizations who use Federal statistics as a major source of information in the pursuit of their various objectives. Since the members of the Federal Statistics Users' Conference are taxpayers as well as users of Federal statistics, they are interested in economy as well as statistics. They are interested in a Federal statistics program of optimum usefulness at minimum cost. They are opposed to statistics for the sake of statistics.

The budget for urban studies and research program of the Housing and Home Finance Agency includes a program aimed at providing new information about the occupancy of new rental properties and a program which will provide information about market transactions involving existing housing. These proposals are not new. This is the third consecutive budget which has included them.

We urge this committee to give this portion of the HHFA budget its particular attention.

We all know that construction of rental properties has grown rapidly over the past few years. We have all heard the question: "Where are all the people coming from to fill these apartments?" But we do not have any solid information about the rate at which new rental properties are occupied. Neither do we have any information on the characteristics of the renters of these new properties.

Similarly, we have no information to give us any clues about demand for existing housing in today's market.

This lack of adequate information on current demand for housing poses a very serious problem for the construction industry, for suppliers to the construction industry, for the lending institutions which finance housing construction, as well as for those who are asked to make public policy decisions relating to housing. Decisions, both public and private, are being made today on the basis of very sketchy information about current market conditions. The opportunities to make serious mistakes are many, and the consequences could be serious, not just for individual businessmen, not just for some areas of the country but the whole Nation.

Mr. Chairman, this committee recognized the need to provide better data on current housing demand some years ago. Due to your leadership and foresight, we now have statistical data on the sales and inventories of new single-family homes. This information has been very helpful and users of housing statistics are grateful to you for seeing to it that these data have been made available. We hope you will see fit to support the proposal to expand this type of information to include data on the occupancy of new rental properties and on transactions involving existing housing in order to improve our understanding of all the major components of current housing demand.

Mr. THOMAS. Where did you go to school?

Mr. LOWRY. I went to school at George Washington University here in Washington.

Mr. THOMAS. How long have you been out of school?

Mr. LOWRY. Since my B.A. in 1941. Then I had a little post-graduate course in the Army and did not get back until 1946 and got an M.A. in 1947.

Mr. THOMAS. That is fine. Talk to us now.

Mr. LOWRY. Sir, the Federal Statistics Users' Conference is an organization whose members are business firms and labor unions and nonprofit organizations that are interested in Federal statistics. They use them for informational purposes in pursuit of their various objectives. The members of the conference are taxpayers as well as users of statistical information. For that reason they are not really interested in just promoting statistics for the sake of some more numbers. They are interested in developing Federal statistics programs which have optimum usefulness at minimum cost. Among the items that you are considering——

Mr. THOMAS. Will you forgive us for interrupting? Here is agency X with a monthly report. There cannot be too much variation in these reports. The printing and binding bill is terrific. Do you folks digest everything these agencies print or does it wind up in the wastepaper basket?

Mr. LOWRY. No, sir; I tell you what really happens. The statistics program overall is just like a dictionary.

Mr. THOMAS. Here is X agency that issues a monthly report. Would it not be less burdensome to them and the taxpayers and everybody else who studies these subjects to make those reports quarterly? Would it not have far more weight and would not the information be about as much up to date?

Mr. LOWRY. It depends on the kind of information you are talking about. Some information is certainly adequate quarterly. Some is adequate on an annual basis. Some of it, on the other hand, does require monthly reporting. Some, indeed, is more useful to many business people if it is weekly. For example, retail sales, department store sales, are among the few typical weekly kinds of statistics. We have generally been opposed to the extension of weekly statistics. The kinds of reports that we are particularly interested in here are a part of the budget for HHFA that appears before you. They have an item in there on urban studies and research. That total item is about $1,500,000. That would be an increase of about $1,100,000 over what is now available.

We think that part of that program has some particular importance. I do not know what the total cost of that part of the program in which we are particularly interested would be because we do not have those figures, but a guess is it would probably be around $750,000 or $800,000. The parts of the urban studies program which we think is particularly important consists of a proposed continuing survey of the occupancy of new rental properties and a survey of transactions affecting existing housing.

Mr. THOMAS. Are not the local chambers of commerce and the local home builders associations the finest authorities on earth in their areas for that information? You feed that information, you get that, and they will be glad to give it to you. They know more about it than any Federal agency. They really watch it.

Mr. LOWRY. In some places, and in some places only, Mr. Chairman, is it possible to get the kind of cooperation among local interests which yields the kind of information you are talking about.

Mr. THOMAS. What you are saying is that they have a little experience. They get out and gather that information for their own organizations and maybe for a small fee they will pass it on to you?

Mr. LOWRY. It is not just exactly that, Mr. Chairman. It is a matter of the degree to which local businessmen in particular areas will cooperate with one another. In some places they do and some places they do not.

Mr. THOMAS. They all have their associations. Every town of any size from 10,000 or 15,000 on up knows how many houses are vacant and how many new ones are started. They have a very tight organization nationally and locally. They do a tremendous job for the membership. Maybe the information they collect is for their use and benefit but no doubt they would share it with anybody for a little compilation fee.

Mr. LOWRY. I believe that you will find, Mr. Chairman, that the National Association of Home Builders feels that these two proposed parts of this program to which I am speaking are of extreme importance.

Mr. THOMAS. Of course, if somebody will do the work for them for free.

Mr. LOWRY. I do not think it would cause them to stop even one thing they are doing. They are spending a great deal of their own money and undoubtedly will continue to do so. They are, of course, interested in the local situation but these things are very spotty, Mr. Chairman. What we are talking about is really a national problem as we all well know. Housing construction and the matter of adequate housing is a matter of extreme importance. It is frequently a matter of legislation that you gentlemen consider. For the nongovernmental people this kind of information is important to the construction industry, to people who supply the construction industry, to lenders and people who try to make analyses of the adequacy of housing.

The construction of rental properties in the past several years has really moved ahead by leaps and bounds. It is a matter of concern now that we find that there is a big dropoff in this kind of construction. We do not have any solid information on the rate at which these new properties are being rented. We do not have any information on the sort of characteristics of the people that go into them, that is, their social and economic characteristics and what kind of housing they had before.

Similarly, on the transaction studies we do not have any knowledge whatsoever as to what is going on on the national basis on the homes and apartments that already exist. The opportunities for making serious mistakes in this industry are enormous. The consequences could be very serious not just for some individual businessman and not for just some areas of the country, but serious for the whole nation.

This committee itself several years ago recognized the need to provide better data on current housing demand. This committee took the leadership and had the foresight to start some work on the sales and inventories of new single-family homes. This information has been very useful. What our members are particularly interested in is a full picture of the current demand for housing. To fully understand the housing market information on that part of the market supplied by rental properties and that part of the market involving transactions of existing properties needed.

Mr. EVINS. Thank you for your statement, Mr. Lowry. Thank you very much.

Mr. LOWRY. Thank you.

## VETERANS' ADMINISTRATION

### WITNESS

### FRANCIS W. STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

Mr. EVINS. The committee will be pleased to hear Mr. Francis W. Stover, director, National Legislative Service, Veterans of Foreign Wars.

It is a great organization and we will be pleased to hear from you.

You may include your whole statement for the record, and ad lib as you wish, Mr. Stover.

Mr. STOVER. Thank you, Mr. Chairman and members of the committee.

As you know, our organization has taken a strong stand against these closings. For the record, my name is Francis W. Stover, and my title is director, National Legislative Service, Veterans of Foreign Wars of the United States.

The membership of the Veterans of Foreign Wars consists of veterans who have served overseas during wartime or a campaign or expedition for which service a badge or medal was authorized. Presently, our membership is at an alltime high and is approximately 1,300,000.

Since most of the items in the budget submitted to you by the administration are within the obligated category, I am going to address my remarks only to the discretionary items.

General operating expenses, which includes operation of regional offices, will be reduced by approximately $3 million if the 17 regional offices are closed, as was announced on January 13, 1965.

The item for construction of hospital and domiciliary facilities is just under $100 million and contemplates replacement and relocation of hospitals, modernization, and other improvements of existing hospitals and constructing nursing home facilities at several locations; $500,000 is for a modern hospital for the Wood, Wis., domiciliary. We strongly recommend this item be approved as submitted.

The item for medical care is $1.1 billion plus and contemplates closing 11 hospitals and 3 domiciliaries with a saving of around $20 million. About half the VA hospital beds are occupied by neuropsychiatric patients, or about 55,000. Unfortunately, the number of neuropsychiatric patients seems to remain fairly constant, which is the substantial underlying reason this item continues to increase slightly each year.

The VFW has strongly opposed the closing order, which would have closed down 32 VA facilities by the end of this fiscal year of 1965. Our organization was caught by surprise and was afforded absolutely no opportunity to review and consider the merits of this action before it was summarily and precipitously announced on January 13.

From the commander in chief on down our membership has been in almost unanimous opposition to this peremptory action. Our com-

mander in chief on Tuesday, March 9, was privileged to appear before the House Committee on Veterans' Affairs accompanied by approximately 700 VFW national and other officers, representing the leadership of our organization, both elected and appointed, at which time he presented our legislative program for 1965, as laid down and approved by the delegates to our most recent national convention, which was held in Cleveland, Ohio, August 21–28, 1964. A large portion of our commander in chief's statement was devoted to the proposed closings of 32 VA facilities. Subsequently, at a hearing before the Subcommittee on Hospitals of the House Committee on Veterans' Affairs, it was my privilege to present the position of our organization to that subcommittee. It will be deeply appreciated, therefore, if the part of the commander in chief's statement dealing with the VA closings and my statement of March 30, 1965, be made a part of my remarks at this point.

Mr. Chairman and members of the subcommittee, the Veterans of Foreign Wars is backing a proposal introduced by several Members of Congress, both in the House and the Senate, which will make it mandatory for the Veterans' Administration to maintain at least one VA regional office in each State. The elimination of personal service and depriving veterans and their families an opportunity to visit regional offices concerning their veterans rights and benefits will cause an undue hardship, and in many instances will amount to a nullification of some of their rights and benefits. For example, many veterans will be forced to travel additional distances to make a personal appearance before the VA in pursuit of their rights and benefits. The VFW is organized along State lines with State service departments helping and assisting veterans and their families with their claims. Without one regional office in each State, it will mean a great disruption of our service work and cause additional problems and probably expense if we are render the same service. It has been alleged that a letter somehow or other will take the place of a personal visit. The VFW does not agree, and this is another of our principal reasons for supporting the proposal that there should be at least a VA regional office in every State. We do not want the service to veterans to be impaired in any way.

Respecting the hospitals, evidence has been presented to the House Committee on Veterans' Affairs, which has demonstrated that many of these hospitals are first class and efficient in every way, and in most instances are far superior to the community hospitals serving the same areas. The testimony presented to the House Veterans' Affairs Committee seems to bring out a philosophy which indicates that veterans hospitals are primarily to train and educate medical personnel and conduct research programs. Down the list will be taking care of veterans, who are to be the source of supply, so to speak, to carry out these programs. The Veterans of Foreign Wars believes it was the intent of Congress that VA hospitals were established first and foremost to take care of and treat sick and disabled war veterans and that these other programs will not take precedence over this congressional mandate.

For these reasons, among others, our organization is opposing the closing of hospitals, especially in areas serving rural and smalltown areas. The criteria for carrying on the activities of these hospitals

naturally cannot measure up to the same criteria for hospitals in metropolitan areas, where there are more veterans, more doctors, more services, and all the latest equipment and techniques are readily available in urban medical centers.

The care being rendered in smaller hospitals is excellent, however, except when measured against the metropolitan hospitals. The VA hospitals in these outlying areas have been doing a tremendous job of caring for the war veterans of this Nation. The only criticism is that they do not measure up when compared to urban medical centers.

Domiciliaries are another category of VA facilities which will be sharply curtailed under the terms of the 1966 VA budget. Suffice to say domiciliary patients generally are at the bottom of the ladder and represent a group which need the most help of all. While implementation of the nursing care program will help lessen some of the load on the domiciliaries, it will never take its place. Restoration centers are a most commendable and laudable solution and VFW strongly supports this program, but it must be realized that some veterans can just never be rehabilitated or restored to society. Some veterans unfortunately will always have to be taken care of in domiciliaries and that is why we are strongly urging the 3,200 domiciliary beds, contemplated to be eliminated by this budget, be restored and continued in operation.

Mr. Chairman, the President of the United States has admitted that he may have erred and has appointed a blue ribbon Presidential Advisory Panel to review the mountain of evidence that has been presented to the Congress since the announcement of the closings. It would seem a logical deduction from the President's quoted remarks that some of these facilities will remain open by Presidential order. In any event, he has postponed the whole package, and no final action by the President will be forthcoming until probably after June 1.

The Veterans of Foreign Wars has expressed some doubts concerning this committee and the following telegram was sent (on April 6) to the President by VFW Commander in Chief Jenkins:

> The Veterans of Foreign Wars of the United States, representing 1,300,000 oversea veterans, seriously questions your appointment to the committee you have established to study the problem of closing Veterans' Administration facilities a former Administrator of the Veterans' Administration who has already prejudged this matter in testimony before the House Veterans' Affairs Committee. Further, we respectfully submit that the minority party in the U.S. Senate which has in the past manifested a deep interest in veterans' legislation should be represented in this sttudy which we hope will be of a nonpartisan nature.

Be that as it may, the Veterans of Foreign Wars strongly urges this subcommittee and the Congress to restore these funds which will keep in operation the Veterans' Administration facilities contemplated for closing. With the average age of World War II veterans now climbing toward 50, and with the average age of all veterans, of which there are almost 22 million, averaging 57, the need for additional medical facilities should be more—not less. Other programs are going forward to establish health centers, hospitals, and medical care facilities throughout the Nation, and it seems rather paradoxical and ironic to members of the Veterans of Foreign Wars that this administration should be taking a step to eliminate 3,200 domiciliary and 2,400 hospital beds for care and treatment of veterans.

We certainly hope that this committee will give favorable consideration to these views and thank you for the opportunity to present them here this morning.

Mr. EVINS. Without objection, the statement you referred to will be included.

(The statement follows:)

STATEMENT OF JOHN A. JENKINS, COMMANDER IN CHIEF, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and members of the committee, permit me to express my deep appreciation for the privilege of appearing before this most distinguished committee.

You will have noticed that I am accompanied by a large number of VFW members. They comprise the cream of our organization. All serve in leadership capacities on either the National or State level in offices to which they have either been elected or appointed by other elected officers. Most of these men are moving toward the top. Some have already held the highest positions in the organization but are continuing to give it their time and energy in an unofficial way.

Also with me this morning are a number of young people. They are the 53 Voice of Democracy contest winners and they have come from the 50 States, the District of Columbia, Korea, and the Canal Zone. The Voice of Democracy program, sponsored by the VFW is a broadcast script-writing contest on the subject "The Challenge of Citizenship." It is open to all high school students and is aimed at nourishing American institutions by bringing to the serious attention of the leaders of tomorrow, the great principles upon which this Nation was founded.

The first place winner will be announced tonight at our annual dinner and presented a $5,000 scholarship award. The second place winner will receive a $3,500 scholarship. To the third place winner will go a $2,500 scholarship, and the fourth place winner will get a $1,500 scholarship award.

Before proceeding with an outline of our legislative goals for the coming year, may I take a moment to review the history and function of the Veterans of Foreign Wars.

It was founded in 1899 by a small group of veterans who had just returned from combat in the Spanish-American War. Some had fought in Cuba, some in the Philippine Islands. This group agreed to limit membership to those men who had served overseas in engagements for which a campaign badge or medal was authorized.

This has continued to be the prerequisite for membership and from the slim ranks of that humble beginning, the organization's membership roster has grown to 1,300,000. These members are distributed through 10,000 posts, the majority of which are in the United States, but located also in territories and foreign countries from Okinawa in the Far East to Paris, France, in Europe. Aiding these posts are their ladies auxiliaries with a total membership of 400,000.

It is a matter of great pride, Mr. Chairman and members of the committee, to point out that the Veterans of Foreign Wars has enjoyed an increase in membership for 10 successive years. I believe that this testifies to the high worth of our objectives and the effectiveness of our methods used in achieving them. On this date we are about 100,000 members ahead of the number we had last year at this time.

One program of which the VFW is especially proud is our national rehabilitation service. For many years it has furnished without charge, counsel, and assistance to millions of veterans and their dependents who were eligible for benefits provided by Congress. This service has been made available to all veterans regardless of whether or not they were VFW members or even eligible for membership. It is this kind of activity that sets our veterans organizations apart from other merely fraternal orders.

The year-by-year policies of the VFW are propounded at our national conventions. Delegates to these conventions usually pass some 300 resolutions on various matters relating to veterans and their families. The resolutions are, each year, reviewed by our national legislative committee and arranged in a

priority list which we call our legislative program. This committee is made up of outstanding Americans from all parts of the country, and incidentally, is headed by one of your former colleagues, James E. Van Zandt, of Pennsylvania, who has also served three terms as commander in chief of the Veterans of Foreign Wars.

It has grouped our legislative goals for 1965 into six categories, and with your permission Mr. Chairman, I would like to enumerate them.

NO. 1. FOR THE SERVICE-CONNECTED DISABLED

(*a*) *A 15-percent increase in compensation payments*

We believe this is more than merited considering the continued rise in the cost of living. A totally disabled veteran is entitled at present to only $250 per month or $3,000 a year and that has been defined by the President as poverty level. The average American family has an income of $6,000 a year and the starting classification for a Federal employee, GS–1, is $3,360 per year. Using these as points of comparison, compensation rates have fallen behind at least 15 percent over the past three decades. Simple justice requires an upward adjustment.

(*b*) *A review of dependency and indemnity compensation for the surviving widows, children, and dependent parents of veterans*

All factors having a relationship to the hardships imposed upon these survivors by the service-connected death of veterans should be weighed and evaluated.

NO. 2. FOR CONTINUING THE BEST HOSPITAL AND MEDICAL CARE

(*a*) *Maintenance of the Veterans' Administration hospital system with no reduction in authorized and operating beds*

The war veterans of this Nation have made sacrifices for the national interest beyond those of other citizens. Therefore, we believe that they are entitled to separate hospital treatment when they become sick and are unable to pay for such treatment.

(*b*) *Immediate implementation of President John F. Kennedy's memorandum of August 12, 1963 and Public Law 88–450 (H.R. 8009)*

These documents authorize additional nursing care beds in VA and State facilities and private homes.

(*c*) *Priority admission to VA hospitals for veterans of wartime oversea service*

NO. 3. FOR THE DIGNITY AND SECURITY OF OLDER VETERANS

(*a*) Liberalize the pension program for aged and disabled veterans.

(*b*) Deduct amounts paid for medical expenses of veterans, their wives, and children from income limitations on pension entitlement. Exclude an additional 10 percent of all other retirement income.

(*c*) Increase all pension rates by 10 percent for veterans of oversea combat.

(*d*) Provide outpatient treatment for all veterans suffering permanent and total disability.

NO. 4. FOR THE MAINTENANCE OF JOB SECURITY

(*a*) Oppose vigorously any efforts to weaken or eliminate veterans' preference in Government civil service.

(*b*) Provide adequate funds for the operation of Veterans' Employment Service and the Bureau of Reemployment Rights of the Department of Labor.

(*c*) Oppose all attempts to circumvent the Veterans Preference Act through reorganization, consolidation, or otherwise, of governmental agencies and functions.

NO 5. FOR MORE EFFECTIVE SERVICE TO VETERANS AND THEIR SURVIVORS

(*a*) Establish a standing Committee on Veterans' Affairs in the Senate.

(*b*) Elevate the position of Veterans' Administrator to Cabinet rank.

(*c*) Continue the Veterans' Administration as a one-stop agency for all veterans' programs and oppose any moves to transfer them to other agencies.

NO. 6. FOR A WELL-ROUNDED AND UP-TO-DATE BENEFIT PROGRAM

(*a*) Continue and enlarge the national cemetery system for burial of war veterans.

(*b*) Increase the burial allowance for war veterans.

(*c*) Restore the larger burial flag which was provided to drape the caskets of war veterans.

(*d*) Reopen the national service life insurance program for a limited period to all veterans.

(*e*) Provide cold war GI bill benefits to all post-Korean veterans with campaign or combat service for which a medal has been authorized.

Those are the legislative goals of the Veterans of Foreign Wars as set forth by our members. We hope this committee will consider them on their merits as they are embodied in specific pieces of legislation and advance them on to the full Congress with recommendations for favorable action.

Now Mr. Chairman, I would like to return to item No. 2 on our list of legislative goals. We don't ever expect Congress to "give us the world on a half shell" but we do expect to make some progress toward our objectives each year. This year, however, while we have been formulating the steps that would bring us that new inch of progress, much of what we thought we had won is in danger of being snatched away. In today's military parlance we have been infiltrated and are now under enfilade fire. We find ourselves having to defend goals that we thought were safely won.

I refer, of course, to the administrative order closing 11 Veterans' Administration hospitals, 4 domiciliaries, and 17 regional offices. This order constitutes a major victory for those who have contended that veterans should not receive any special consideration from the country they defended on the battlefield. The VFW has always held the opposite: that the Federal Government should provide hospital treatment and care for veterans suffering from service-connected disabilities, and for impoverished veterans unable to pay for treatment in private hospitals.

Few men profess a desire for war. We all search for peace; yet, despite this, the history of man is the history of bloody combat. Because of that unhappy fact we establish and maintain a professional military force; however, American wars have been won by civilians whose ambitions and interests were completely alien to the ways of the soldier. Nonetheless, these young men have gone into battle without a thought of shirking their duty. They have returned after victory as changed men, forced to start life over. The cost of their rehabilitation, of their medical and hospital care, is the obligation of the people as a whole just as it was their obligation to maintain the Military Establishment. It is not charity: it is not public welfare.

But the memory of war fades and this just obligation is in danger of being swept aside by newer and more romantic concepts; such as, a war on poverty and the Great Society. Not only are veterans' installations to be closed but there has been lagging implementation of the authorizations for some 4,000 nursing care beds mentioned in (*b*) under point 2 above. The heavy hand of the Budget Bureau has been on the Veterans' Administration preventing it from going ahead with this badly needed improvement. I understand at this late date only 46 of these nursing care beds are in actual operation and the VA plans only 2,000 more by the end of next fiscal year.

Perhaps you can follow the reasoning of the Budget planners that some VA hospitals must be closed because of the authorization of additional nursing care beds under Public Law 88-450; I cannot. To me it seems a manifest absurdity to think that Congress intended such a result. Still that is one of the arguments being advanced to justify some of these hospital shutdowns.

The permanent closing of the 4 domiciliaries containing 3,200 beds is the cruelest effect of the entire order. It strikes at veterans who, by any standard, are "at the bottom of the barrel" and deserve more compassion than those in other categories. A recent study reveals that most of them are entirely without income except for VA pension payments. They are poorly educated, without families, and suffering serious health problems; such as, arthritis, cancer, and heart impairment. These conditions make it extremely difficult, if not impossible, to relocate them outside the domiciliary.

While the Veterans' Administration deserves much credit for its efforts to restore and rehabilitate veterans, it is obvious that domiciliary patients are in such poor physical condition that any effort to rehabilitate them would prove futile.

Members of the Veterans of Foreign Wars find the decision to close these domiciliaries baffling, to say the least. Since one of the avowed goals of the Great Society is to find a more meaningful life for our elderly citizens, we have begun to wonder if veterans are to be excluded from its benison. I ask: Are veterans to be the first casualty in the war on poverty?

Similarly, we are confused by the obscure reasoning that led to the decision to close active treatment hospitals with 3,000 operating beds. Projecting the results of the present hospital construction program it appears that some 600 new beds will be put into use in the future but that still leaves a total reduction of 2,400 beds available for sick veterans. The VA has stated that it intends to maintain the same number of authorized beds but, in the past, we have found this to be a largely meaningless phrase. The number of operating beds has always been considerably less than the number of authorized beds.

No one can try to salve his conscience by contending that the only veterans to suffer will be those whose illness has nothing to do with their wartime service. This reduction in facilities will affect those with service-connected disabilities just as severely as it does those with non-service-connected disabilities. The closing order flies in the face of statistics that demonstrate beyond any doubt that the need of veterans for hospital treatment is mounting rapidly. World War II veterans are now arriving at an age where they are more susceptible to ill health and our Government should be making plans to enlarge and improve veterans hospitals rather than close them down.

And may I point out that the administration has strongly opposed the use of a "pauper's oath" as a qualification for medical care benefits. The necessity for its elimination is one of the most frequently used arguments for the administration-backed medical care bill now before Congress. Yet veterans with non-service-connected health disorders are still required to take this "pauper's oath" before gaining admission to a VA hospital.

The shutdown of hospitals in some areas will force veterans both service connected and nonservice connected to travel long distances to obtain treatment and for many with reduced means will constitute a denial of treatment. The President himself said in his January 7, 1965, health care message to Congress:

"In our urbanized society today, the availability of health care depends uniquely upon the availability and accessibility of modern facilities, located in convenient and efficient places, and on well organized and adequately supported services. The lack of such facilities and services is, of itself, a barrier to good health care."

Veterans residing in rural and smalltown areas like upstate New York, eastern Montana and western Colorado and southern New Mexico could not agree more heartily. The hospitals where they have received treatment are among those that will be closed.

Mr. Chairman, the VFW is just as vigorously opposed to the closing of 17 VA regional offices. Again, it seems to us that the Government has two standards: one for veterans and one for nonveterans, and the veterans are being handed the "short end of the stick." Eight States will no longer have a VA regional office and the case files of veterans residing in them will be transferred to other States where all decisions concerning them will be made. The reason offered for closing them is that a large percentage of all contacts are made by mail anyway. Again this leaves out human consideration, for we all know how important personal contact is when pursuing a claim with the powerful and impersonal Federal Government.

The Social Security Administration, on the other hand, has found it necessary to increase the number of its contact offices. Even if all the VA regional offices that have been ordered closed were to remain open, veterans would not have the convenience afforded to social security claimants.

Another development has taken place, Mr. Chairman, that may seem at first to have nothing to do with the shutdown of Veterans' Administration installations. Merchant seamen formerly cared for in Public Health hospitals, under the Department of Health, Education, and Welfare, are now being taken care of in Veterans' Administration hospitals. Just as we are opposed to the transferral to other agencies of the responsibilities of the VA, so we are opposed to bringing their responsibilities to the VA. For many decades the VA has successfully operated the national program for veterans and veterans alone. It appears to us that the closing of some VA hospitals and the transfer of Public Health patients into others may be the "camel's nose under the tent" and, before long, HEW will move in bodily and take control of the hospital program for veterans.

The Veterans of Foreign Wars will fight against any such encroachment to the last ditch.

These are our views on this most unwarranted invasion of veterans' rights.

But it is not enough just to oppose this invasion. Even more important at this time in our judgment is a clear restatement of the principles that guarantee strong, independent, properly motivated programs of care and assistance for our Nation's veterans: programs which they have so rightly earned; programs which the Congress has so carefully provided; programs which we are determined to preserve.

I call upon this committee to prepare such a statement of principles for the consideration and agreement of all of us who are dedicated to the well-being of veterans and their dependents. You are assured of the support of the VFW in this effort.

These, Mr. Chairman, are our views on what we consider a most alarming administrative action. The balance of our program does not fall within the purview of this committee; however, I ask your permission at this time to include in the record as part of my statement a digest of all resolutions passed by our 65th national convention.

Let me close by thanking this committee for the vital role it has played in establishing the fine system of health care and compensation benefits now enjoyed by veterans. You took the lead in putting into motion the 15-year $1.3 billion renovation, modernization, and construction program that has produced such fine results. We note that this year's budget has in it over $97 million as the fifth step of this program and the VFW wants this committee to know of its deep appreciation for its continued leadership in keeping the program going forward as planned. You also guided H.R. 8009 to final approval as Public Law 88-450 providing badly needed nursing care facilities.

For these and many other accomplishments, each of you has the heartfelt thanks of the Nation's veterans.

Finally, let me remind you and the committee that our annual dinner honoring Members of Congress who served in the Armed Forces will be held at the Sheraton Park Hotel tonight. More than 400 Members of Congress have accepted our invitation to attend.

The reception will begin at 6 pm. and the dinner will be served at 7 p.m. The Speaker of the House of Representatives, the Honorable John W. McCormack, of Massachusetts, has been selected to receive our annual Veterans of Foreign Wars Congressional Award for his outstanding service to this Nation. We are looking forward to having you with us.

Thank you again for your kindness in permitting me to appear before you this morning.

Mr. BOLAND. Are you satisfied with the President's handling with a program panel?

Mr. STOVER. We are not completely satisfied.

Mr. BOLAND. Why is that? Suppose they come up with an impartial, independent study and they say some should be closed?

Mr. STOVER. I wasn't addressing myself to the action they would take, but to the panel, itself. We objected somewhat to one member, Mr. Gleason, who made such a strong point with regard to closing.

Mr. EVINS. I don't think anyone can say Mr. Gleason is not a friend of the veterans. He has been a very distinguished and able administrator of the veterans program. I recall, many times, before this committee, he championed more funds and more facilities. He has been certainly a great friend of the veterans.

Mr. STOVER. That is correct, Mr. Evins; he is a great administrator, but with respect to this action——

Mr. EVINS. I am against any needed or necessary facilities being closed but, in testimony before the committee, we have been assured that more than 15,000 more veterans are going to be provided with hospital care next year than was provided in the previous year. This is one fact that impresses me very much.

Mr. STOVER. We use the yardstick of hospital beds.

Mr. THOMAS. Here is a fact that perhaps all of us overlook. Comparisons always get you in trouble, but I think Sumner Whittier, Mr. Eisenhower's veterans chief, will go down with General Heinz and all the rest of them as one of the all-time great administrators. You have never had a second-rate manager over there. They have all been tops. Mr. Eisenhower's men are the ones that started the program of rehabilitation and construction, a 10-year program of $700 million. Then the Kennedy and Johnson groups extended the program to 12 years and to almost $1,300 million, so you are building three or four times as many as you are tearing down. Instead of the program standing still, my goodness, look at the way it is growing. It is getting better and better and better.

I doubt if there is any better mass medicine than what you find in the VA, today.

Mr. EVINS. With regard to the State of New York alone there was testimony there are 8 veterans' hospitals in the State of New York, 1, a barracks type, is being closed, and another in a very remote area, but 2 or 3 new ones are being built, so there will be 12 to 14 hospitals in the State of New York.

Mr. STOVER. Our complaint goes to the location of some of these hospitals.

Mr. THOMAS. Your complaint is not against the Kennedy, Johnson, or Eisenhower administrations. If you have any enemies they are not in Congress. You have one, perhaps, and that is the American Medical Association. They are the only ones who want to clip your wings. No one in Congress is anything but a friend of the veterans. They are veterans themselves, for the most part.

Mr. STOVER. These hospitals are located in what they sometimes call remote areas or rural areas or small towns. Most of these hospitals are in that type of an area. Now, when you measure the performance of these small hospitals, these hospitals in rural areas or wherever they are, they naturally cannot measure up against the big city hospitals in the big metropolitan areas.

This cannot provide the same services, they don't have the same people, doctors, and everything else. On that basis they are not performing up to the standard of the overall——

Mr. EVINS. But they do perform a very useful service.

Mr. STOVER. Yes, sir. Veterans in our organization who live in these areas feel they are being discriminated against by the closing of these hospitals. That is one fact I want to point out. The other is that the total number of beds authorized by the President—Sumner Whittier was the Administrator in 1959 and got this from President Eisenhower, and this is still a policy—125,000 authorized beds. Actually they don't operate that many. I understand they operate around 120,000. The rest are unused or dead beds.

Mr. THOMAS. They are in the process of repair, alterations, and so forth. The bed turnover is outstanding. After all, you just can't use these beds 7 days out of the week. If you can have on a daily use 120,000 beds out of 125,000, that is pretty good.

Mr. EVINS. I don't want any needed or necessary or required facilities to be closed. There was some testimony that some of them were barracks, firetrap types that are being replaced with new and modern construction. I was impressed by the fact that there will be 15,000 more veterans served next year by the VA than were served in the

previous year. They say none of them are going to be denied or neglected. This is testimony before my committee.

Mr. STOVER. That is correct, except if they close the ones in the rural areas——

Mr. THOMAS. They are going to get better medical treatment.

Mr. EVINS. I represent small towns and rural areas, and I don't like to see them closed. I am in Mr. Stover's corner.

Mr. STOVER. The other thing is on these beds.

Now, as I understand it, this closing action contemplates, if it is carried out, the elimination of or closing of 2,400 operating beds. It is true, as the chairman said and as Mr. Evins said, they will treat more patients. But they will not have as many operating beds.

Mr. THOMAS. With the new hospitals you are building you will keep the number right at 125,000. You will have more and better facilities.

Mr. STOVER. And, of course, I haven't mentioned the 3,000—3,200, I think, is the exact number—domiciliary beds. This is a different question which, as I say, rises and falls on a different standard of need.

Mr. EVINS. Congress has taken action to delay this matter, and the President has taken action to appoint a blue ribbon study committee to look into the matter and this committee certainly wants to provide all the funds that are needed and necessary and required for hospitals and medical care purposes.

Mr. THOMAS. Thank you, gentlemen. Yours has been a fine statement.

Mr. EVINS. We respect and admire and appreciate the VFW immensely.

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TUESDAY, APRIL 13, 1965.

## VETERANS' ADMINISTRATION MEDICAL PROGRAM

### WITNESSES

LUCIUS E. BURCH, JR. (ATTORNEY, BURCH, PORTER & JOHNSON), MEMPHIS, TENN.
DR. B. L. STEHLER, NIH AGING LABORATORY, BALTIMORE, MD.
DR. F. MAROTT SINEX, CHAIRMAN, DEPARTMENT OF BIOCHEMISTRY, BOSTON UNIVERSITY
DR. H. FERNANDEZ-MORAN, PROFESSOR OF BIOPHYSICS, UNIVERSITY OF CHICAGO
DR. RICHARD V. EBERT, PROFESSOR AND HEAD, DEPARTMENT OF MEDICINE, UNIVERSITY OF ARKANSAS
DR. HANS SELYE, PROFESSOR AND DIRECTOR, INSTITUTE OF EXPERIMENTAL MEDICINE AND SURGERY, UNIVERSITY OF MONTREAL, MONTREAL, QUEBEC, CANADA
MRS. FLORENCE S. MAHONEY, COUNCIL OF CHILD HEALTH AND HUMAN DEVELOPMENT, NIH

Mr. THOMAS. Gentlemen, will the committee please come to order. We are delighted to have such a distinguished group with us this morning and we want you to know we are honored to have you take the time off from your busy day to give us the benefit of your help.

Without any protocol, we will follow the list as the clerk has it.

STATEMENT OF LUCIUS E. BURCH, JR.

The first one on the list is Mr. Lucius E. Burch, Jr., of the law firm of Burch, Porter & Johnson, Memphis, Tenn. Where is Mr. Burch?

Mr. BURCH. Here, sir.

Mr. THOMAS. Welcome, Judge. Mr. Burch, we will be delighted to have you put your statement in the record verbatim and then you can just talk to us.

(The statement follows:)

STATEMENT BY MR. LUCIUS BURCH

I am appearing before the committee on the basis of a profound and long-standing interest in doing what I can to develop a sense of urgency concerning the need to mount the broadest possible scientific attack on the problems of aging as embodied in fundamental biological research.

Although I am a lawyer, I have over the years made it my business to become thoroughly acquainted with the ideas and people that make up the current scientific effort in experimental gerontology. In all modesty, I believe I can say that my knowledge and awareness in this field considerably exceeds what one would expect from a lay person in science and I know the views which I hold are shared by many of the first-class scientific intellects with whom I have come in contact in the course of my endeavors.

I dare suggest that in the long run the importance to humanity of a successful solution to the problems of aging will exceed in importance the benefits derived from our exploration of space or our unlocking the secrets of the atom. In my opinion, there is a great urgency for the need to develop a vast program of fundamental research in aging on a scale commensurate with the energy expended on projects which in my estimation, however important, are of lesser significance to mankind.

It is on the basis of these thoughts that over the years I have dedicated a significant amount of my time and energy in an effort to develop a feeling of urgency in the minds of scientists and lay people alike with regard to basic research in aging. I must confess that until recently I have been somewhat discouraged by the failure, particularly of scientists, to grasp the significance of this problem. I believe I can now sense an undercurrent of interest that, if properly nurtured, has the potential of developing a ground swell of movement by first-class scientists toward an interest in aging research. In fact, the revitalized program initiated by the Veterans' Administration some 2 years ago represented one of the earliest indications that creative minds were turning serious attention to the problem. From its inception I made a point of familiarizing myself with the VA program based on the realization that if an organization with the vast resources of this Federal agency turned serious attention to gerontology then much of what I have been working for will have been given a strong push in the right direction.

I am appearing before this committee because I am now convinced that what is underway is of such importance that it must not fail in getting the support it merits. As I have seen, the VA program consists of two integrated but separate approaches. In the first instance, a thorough evaluation of the vast research program has been conducted and from this a number of worthy ongoing research in aging programs have been identified and evaluated with the thought of developing an intra-VA research in aging group, to be given special attention and funding as a means of encouraging the efforts to optimal productivity. If funds become available to support this effort it should be expected to develop a small but high quality nucleus of VA research which will certainly make a significant impact in the field.

While I do not minimize the importance of this approach I must confess that the major portion of my sense of excitement resides in the full development of the imaginative approach referred to as the VA "satellite program of research in aging." The responsible VA science administrators have taken cognizance of the well-established fact that experimental gerontology is sorely in need of new ideas and new kinds of people dedicated to the exploration of those ideas. Accordingly, they have undertaken to identify outstanding scientists in the academic community known to have interests in some aspect of the aging phenomenon, even though they themselves might not be actively doing research

along those lines. These eminent scientists have been approached by the VA with the thought of developing a collaborative program based in laboratories established on the premises of the nearby VA hospital and staffed by outstanding scientists recommended to the VA by the academic figure around whom the satellite laboratory is scheduled to gyrate. By this means important ideas which probably otherwise would die aborning, are brought into the laboratory and explored. This, to me, is a very exciting development because it offers the opportunity of bringing a host of new people and, therefore, also new ideas as it integrates important scientific figures in the academic world into a collaborative effort with this large Federal agency. It is my understanding that four of these "satellite" laboratories are now underway and a number of others are actively in the negotiation stage at this time but more importantly, it is my understanding that the academic community is responding enthusiastically to the idea which could be expanded to almost any dimensions, limited only by the funds which Congress will make available for the VA budget.

There is no need for me to develop these ideas further because I notice one of the witnesses here today, Dr. Marott Sinex, of Boston University, is in fact one of the people around whom a "satellite" program has been constructed. He, certainly, is in a position to expand on any aspect of this program that this committee might find of interest.

While these brief remarks do not give you a quantitative view of what I believe to be at the present moment one of the most important developments in the field of experimental gerontology, I hope I have been able to bring to you a consensus which is shared by a significant number of thoughtful and competent people; namely, that this committee could make no greater contribution to the cause of research in aging than to provide the VA with ample funds to permit optimal development of its plans. As you perceive, I am speaking on behalf of only one facet, however important, of the vast VA research program. May I express the thought that this new effort will require its own funding over and above that which this committee might otherwise deem appropriate for the total VA research budget. If my testimony did not help to generate new funds, I have the uncomfortable feeling that my zeal may well have the effect of hampering the already existing broad research effort by requiring that funds be found within moneys appropriated for the general program.

Mr. BURCH. Mr. Chairman, I have prepared a statement which is very proper, very well organized, and very boring, and I will just file it and accept your invitation to speak for just a few minutes.

You pointed out I am a lawyer, and you might reasonably ask: What is a lawyer doing here with all these scientists? It is a good question. I could tell you I come from a family that has made some contribution to science, and it would be true. And I could tell you I had 5 years in one of the best chemical schools in the country, but I would have to tell you all 5 years I spent in the freshman class.

Mr. THOMAS. That rings a bell on this side of the table.

Mr. BURCH. At a very early age I became interested in some of these questions. I would see a section of muscle from a dog and section of muscle from a man and they both looked the same and smelled the same and would taste the same, but one piece of protoplasm could be made to live 7 years and another 15 years. Then I began having more sophisticated questions and I began to wonder about these questions and I would go in the library and attempt to find out about it, and I found there were not any answers and very few people were asking questions.

Then about 10 years ago people began to ask these questions and people began to get very close to answers. I continued to have an interest in the subject and finally became sufficiently acquainted with people who were really expert to be allowed to go around to some of these meetings.

You will ask me what the Veterans' Administration has to do with this. It has this to do with it: Prior to attending the conference about 2 years ago, I had a completely erroneous but very generally held misconception about the Veterans' Administration. I thought it was the place where people went for medical attention when they really could not get any better. Really that is what I thought. And I also thought many of the people in the Veterans' Administration were in there because they could not stand the competition. But actually the reverse is more nearly true. I found that there are people in the Veterans' Administration who went there because they wanted to do their work in their own way and did not want to put up with the practical matter of getting patients and keeping them and that sort of thing. I found the Veterans' Administration, to a greater etxent than any other organization in the world—and I am willing to be questioned about this because I know it is an inclusive statement—has the breadth to give the peripheral vision necessary for research. The day is long past when great outstanding discoveries will come out of a single mind. Things are so sophisticated now that, for instance, Dr. Fernandez-Moran, who will testify here, is outstanding in the world in the field of electron microscopy. No one man can do very much, it takes cross fertilization and the Veterans' Administration has it to a very great degree.

These problems are tremendous and many of them are right on the verge of solution. Things will happen in the next 5 or 10 years that the world is not prepared for.

I believe that the Veterans' Administration is talking about $5 million for basic research in aging. That is just about what it takes to work out how to package one POLARIS missile.

Mr. THOMAS. Judge, that is the increase over last year.

Mr. BURCH. Is it? Well, $5 million is nothing. And when you have an organization that throughout the country is dealing with the basic problem of aging, because most of their patients are getting to that point, it has this unusual opportunity through its satellite laboratories and through the trained medical administration it has to administer this program, and I do not know of anything which is as worthy, which is what causes me to come from Memphis up here to do this piece.

Mr. THOMAS. You are wonderful and this is one of the nicest talks we have heard. It rings a bell. We want to thank you for your appearance. We started the Veterans' Administration in research. Mr. Jonas, what was the first appropriation, $5 or $6 million, about 10 years ago?

Mr. JONAS. Since 1958 it has increased rapidly.

Mr. THOMAS. Judge, we thank you very much. Do not leave us. Stay here a while.

Mr BURCH. Thank you.

STATEMENT OF DR. B. L. STEHLER

Mr. THOMAS. The next witness is Dr. B. L. Stehler of the NIH Aging Laboratory in Baltimore. Where is the good Doctor?

Dr. STEHLER. I am Dr. Stehler.

Mr. THOMAS. Doctor, we are delighted to have you. Thank you for coming. If you have a prepared statement put it in the record and talk to us.

Dr. STEHLER. I have no prepared statement. I did not anticipate coming as a witness this morning.

Mr. THOMAS. Go ahead.

Dr. STEHLER. I am in the National Institutes of Health, Gerontology Branch, which is the main organ for aging. My connection with the Veterans' Administration's aging satellite program is that I am adviser to Drs. Meyer and Schnapper in helping to set up the programs. In addition, there is a very close collaborative effort in Baltimore between the Veterans' Administration hospital there and the Gerontology Branch of the Heart Institute.

In my opinion the really great opportunity within the next 2 or 3 years for stimulating research in this country is in the hands of the Veterans' Administration. The National Institutes of Health's gerontology laboratory will not be completed for another 2 years and it will take some time to build up a staff and to make our full contribution. But because of the dispersal of Veterans' Administration hospitals and the ability of those in charge of research in the Veterans' Administration, there is a possibility, with a very minor contribution of funds compared to what it would cost to do it in other ways, to foster a great advantage by utilizing this satellite concept whereby a scientist in another institution of the country where there is a Veterans' Administration laboratory collaborates with the Veterans' Administration in setting up a fundamental study designed to answer one or another of the basic questions in the field.

Because there is great administrative sympathy toward this program, I think I will just conclude by saying that any moneys they get we think will have a great impact in the future.

Mr. THOMAS. You think it is worth the money?

Dr. STEHLER. I certainly think so.

Mr. THOMAS. Gentleman, any questions of the doctor?

Well, thank you for being so nice and taking time out of your busy day to come here, and I hope your time will permit you to stay with us a while longer.

Dr. STEHLER. Thank you.

## STATEMENT OF DR. F. MAROTT SINEX

Mr. THOMAS. Our next witness is Dr. F. Marott Sinex, chairman of the Biochemistry Department of Boston University.

Doctor, if you have a prepared statement we will put it in the record and you can talk to us.

(The statement follows:)

STATEMENT OF F. MAROTT SINEX, PH. D., PROFESSOR AND CHAIRMAN, BIOCHEMISTRY DEPARTMENT, BOSTON UNIVERSITY MEDICAL CENTER; CHAIRMAN, BIOLOGY SECTION, GERONTOLOGICAL SOCIETY

It is a pleasure to appear before you on behalf of the gerontology program of the Veterans' Administration.

I first became interested in the question of why animals, plants, and people age when I was at Brookhaven National Laboratory. I have worked fairly intensively on the problem for about the last 12 years. I am currently professor of biochemistry at Boston University School of Medicine, chairman of the biology section of the Gerontological Society, I have served as a consultant to the Veterans' Administration, the National Institutes of Health, and the Atomic Energy Commission on their aging programs. I have had the good fortune to be associated with one of the first Veterans' Administration satellite programs, which

has involved an extremely satisfactory collaboration between the Bedford, Mass., VA hospital and our laboratory at Boston Univeristy.

First, I want to impress upon you that fact that there is such a thing as aging research. Technically, research on the mechanisms of aging is no more difficult than research on the effects of ionizing radiation, cancer, or heart disease, and, as in the case of these diseases, with understanding will come the power to do something about aging, to modify its course and to moderate some of its more unhappy consequences.

Now, while you can read about aging in several professional journals such as the Journal of Gerontology, Fortune magazine might seem more authoritative to you, so I have brought along several reprints of a recent Fortune article on the scientific progress being made in this area.

While progress in research requires men with ideas, it also requires money, space, personnel, and scientists sharing enthusiasms and giving support to each other. All of this exists in the Veterans' Administration satellite program.

There are potentially four agencies which might spearhead aging research—the National Institutes of Health, the National Science Foundation, the Atomic Energy Commission, and the Veterans' Administration. The program with the most immediate short-term prospects for aging research is the Veterans' Administration.

Before discussing why the Veterans' Administration has such promise, let us consider the problems in these other agencies.

Traditionally, the National Institutes of Health has been structured by disease categories. The new Institute of Child Health and Human Development faces a long struggle to mount an effective aging program. It has not been able to hold key personnel such as Robert Aldrich and James Biren. In the competition between institutes for the best research proposals with gerontological overtones it often comes off second best.

The National Science Foundation budget is small. Even though aging is associated with very fundamental problems in biology, it has many other responsibilities.

The Atomic Energy Commission is supporting much good research in aging. It is able to do this because the chronic low-level effects of irradiation resemble in some ways, aging. However, aging is not the Atomic Energy Commission's primary mission, and its budget is plateauing. It is hard for it to add new investigators specifically interested in aging because of its commitments to its own family of radiation specialists.

These factors are not operative within the Veterans' Administration. To begin with, we have first-class administrators like Joe Meyer and Harold Schnapper who care about research on aging. We have a commitment which arises out of the fact that hospitalization within the Veterans' Administration occurs more often because of aging than because of disease. If the aged could be kept in the communities, then the hospitals could give better service to those who need it most, the sick and disabled.

The Veterans' Administration has large, well-equipped laboratories, better laboratories than many universities. It has good scientists and it can have even better scientists under this program. Because under this program they can have spacious laboratories, the privileges of university affiliations, some freedom from the National Institutes of Health grant treadmill, and be part of the larger communities of scholars developing throughout this country. They will do research on aging, and do it well. In Joe Meyer and Harold Schnapper the Veterans' Administration is fortunate in having understanding, able administrators who knows scientists, values them, and without being restrictive, knows how to lead.

Investment in this program is a good investment in basic science, in the well-being of generations to come, and who knows, perhaps in your own future.

Dr. SINEX. I first became interested in the question of aging when I was at Brookhaven National Laboratory.

Mr. THOMAS. When were you there?

Dr. SINEX. I came to Boston in 1956.

Mr. THOMAS. How are they doing at Brookhaven now?

Dr. SINEX. I think they are doing rather well. It is a large organization and some parts are doing better than other parts.

Mr. THOMAS. Off the record

(Discussion off the record.)

Mr. THOMAS. Go ahead, Doctor. Excuse me for interrupting.

Dr. SINEX. I am currently chairman of the biology section of the Gerontological Society, which is the principal research society in Gerontology. It is organized in four sections, and one section deals with the basic mechanism of aging. I have served as a consultant to the Veterans' Administration and to the National Institutes of Health and the Atomic Energy Commission in regard to problems of aging. I am currently involved with the Bedford Veterans' Administration satellite program between the Bedford Veterans' Administration Hospital and our laboratory at Boston University, which is going very well.

The first thing I want to impress on you is the fact that there is such a thing as research on aging. This is a scientific problem that can be approached in a scientific manner in laboratories and there is no particular reason why scientific research on aging is any more difficult——

Mr. THOMAS. Excuse me, Doctor. Is there any difference in structure between a young man and an old man? They often say someone is too old to operate on. Is there any truth to that? Will the tissues of an old man heal as rapidly as those of a young man?

Dr. SINEX. Probably not. The young man is more susceptible to operative stress of the brain. I think there are differences and that questions like this can be studied. In your question there are several things raised: Whether the protein of the muscle changes; what strutures of the muscle change; and does it have to do with the population of cells in the structure?

Mr. BURCH. Mr. Chairman, when he gets through, ask me.

Mr. THOMAS. All right.

Dr. SINEX. So you can work on aging just as on cancer or heart disease. It is a legitimate field of investigation. You could read articles in professional journals such as the Journal of Gerontology, but I think Congressmen believe more in what they might read in Fortune magazine. Fortune magazine had an article on the science of aging, and I brought along several reprints.

Mr. GIAIMO. Off the record.

(Discussion off the record.)

Dr. SINEX. The progress of research on aging require scientists with ideas and, like everything else, requires money and space and laboratories and personnel, and it requires communities of scientists that share an interest in aging.

In the Federal Government there are at least four agencies which might engage in biological or biochemical research on aging, and these are: The National Institutes of Health, the National Science Foundation, the Atomic Energy Commission, and the Veterans' Administration.

I concur with Dr. Stehler that the program which has the most immediate short-term progress in aging research is the program of the Veterans' Administration. Traditionally, the National Institutes of Health has been structured by disease categories, and the program within NIH has had certain difficulties. It has had trouble holding some of the very key personnel; such as, Bob Aldrich and Jim Biren, who are about to leave the Government service. There is rather intense competition with the other Institutes, particularly for the sup-

port of what I would call better science and better research proposals. So I think the long-range projects are good but the short-range projects in NIH have very real but soluble problems. The National Science Foundation's budget is small and there are other commitments of the National Science Foundation, which means they probably will not launch large-scale support of aging research.

The Atomic Energy Commission is doing good research on aging. They are able to do this because the chronic low-level effects of irradiation resemble, in some ways, the effects of aging. However, the primary function of the Atomic Energy Commission is with radiation and not with aging, and it has its own stable of people to support.

Mr. THOMAS. Will you forgive another slight interruption?

Mr. SINEX. Yes.

Mr. THOMAS. How far has the science of radiation progressed? Is it still in the guess stage? Do you know how much dosage to give in all circumstances and how effective it is?

Dr. SINEX. You are talking about therapeutic radiation?

Mr. THOMAS. Yes.

Dr. SINEX. The whole effect of therapeutic radiation is aimed at the fact that the malignant tissue will be injured more than normal tissue and, depending on the type of malignancy involved, the benefit of this can range all the way from very spectacular and complete results to results which are traumatic, in which there is no question the patient is injured by the radiation, but the hope is that the tumor is injured more. So, depending on the seriousness of the malignant condition, physicians make judgments about how much radiation to use or whether radiation is desirable. As far as cancer research goes, radiation therapy was a marvelous invention. It has its place in cancer therapy and I believe those who work with it feel it is not the ultimate answer to the cancer problem; that there have to be better answers than radiation. It so happens radiation is one of the better answers we have right now.

Many of these factors I have pointed out that are problems in the other three agencies are not operate within the Veterans' Administration. To begin with, we have first-class administrators like Joe Meyer and Harold Schnapper who really care about the effects of aging. We have a real commitment within the Veterans' Administration to the aging problem. You do not have to look very far in the Veterans' Administration to see that they have a problem with aging and the aged. The NIH is disease-oriented. In the Veterans' Administration the magnitude of the problem is so obvious that they have to do something about aging and they have to do it now. The Veterans' Administration has a fine, large capital plant. They have good laboratories, spacious laboratories, in many ways more spacious than many universities have. They are interested in promoting good research and good personnel in the Veterans' Administration so that, by coming into the Veterans' Administration organization, these young boys can participate in many of the advantages of the universities. They can teach; they can talk with us; and, at the same time, can be provided with laboratories and facilities which we in the universities cannot provide them because we do not have the laboratory space.

So through these programs these people will come in; they will be committed to research on aging; and they will do it. In Joe Meyer

you have a scientist who values scientists and, without being restrictive, he knows how to lead them.

So I would say investment in this program is a good investment in basic science, in the well-being of generations to come, and may have an effect in your own future.

Thank you.

Mr. THOMAS. Thank you for giving us the benefit of your good judgment. We appreciate it.

Dr. SINEX. Thank you.

STATEMENT OF DR. H. FERNANDEZ-MORAN

Mr. THOMAS. The next witness is Dr. H. Fernandez-Moran, professor of biophysics, University of Chicago. Where is the doctor?

Dr. FERNANDEZ-MORAN. Here, sir.

Mr. THOMAS. Doctor, we are delighted to have you here and we will put your statement in the record and you can just talk to us.

(The following statement was submitted for the record:)

STATEMENT BY DR. HUMBERTO FERNANDEZ-MORAN

I have requested an opportunity to appear before this committee particularly in order to speak on behalf of the basic science aspect of the VA research program. I do this as a physician who many years ago perceived that the real advances in medicine will be made by individuals probing at the frontiers of biology in the most fundmental way. In belief of this I have prepared myself to be able to work in that area of research which brings together the biological and physical sciences. The years of experience I have now had in the field of medical research have served to solidify my conviction that the seriousness of a medical research program, whether it be at a clinical or nonclinical level, can be measured by the quality of its efforts at the basic level. In this respect, the VA research program has come to me as a most pleasant surprise.

I must confess that my knowledge of the VA is of relatively recent origin, evolving out of the fact that key administrators have turned to me for advice concerning certain aspects of their effort. Prior to this time I had only a vague knowledge that this Government agency was engaged in medical research but had no inkling of the vastness of the program and particularly the degree of significance which it represents. I am afraid my lack of knowledge reflects the fact that a large percentage of the academic world is unaware of much that goes on in this large Federal agency. I should like to suggest to VA that they look after their public image because they have a great deal to be proud of and if known to the scientific community at large could anticipate strong support for their efforts.

I must confess being a little at a loss as to the most useful way I can leave my impressions with you. For example, the VA research program embodies over 6,000 active research projects which cover the entire span of modern biology. A few of these might be mentioned to illustrate the fact that much of this work can stand comparison with the best in modern science.

Dr. Lohmann, at the Little Rock hospital, is concerned with some very fundamental ideas regarding the transfer of energy in molecules and the role of metals therein, which could bring important information to the problem of how living tissues obtain and utilize energy.

At the same institution, Dr. Vaidhyanathan, a very talented mathematical chemist, is developing significant ideas concerning the mechanism of transport across membranes, an area fundamental to our understanding of living systems.

Dr. Philip Person, at the Brooklyn VA hospital, has recently developed a new approach to studying some important aspects of cellular ultrastructure and his work already is making a major impact upon the activities of other scientists, including some of my own research.

Dr. Ludwig Gross, at VA Bronx hospital, almost singlehandedly has developed proof that certain types of leukemia are viral in origin. Perhaps more than any other discovery, this will be responsible for the major advances to be made in this field.

Dr. Milan Bier, VA hospital, Tucson, has developed a new device which utilizes the principles of electrodialysis for the removal of certain toxic substances from blood. This appears to offer a vastly improved technique for treating patients who have ingested lethal doses of certain chemicals.

In his studies of the fundamental basis of hypertension, Dr. Leonard Skeggs, of the VA hospital, Cleveland, Ohio, has done, and is doing, a brilliant job in isolating and identifying substances in the human body that may be responsible for the development of high blood pressure.

Dr. Klaus Schwartz, at the Long Beach VA hospital, has made important contributions to our understanding of muscular disease as related to selenium metabolism. He is also one of the foremost investigators in defining the role of trace metals in health and disease.

Drs. Yuwiler and Geller at the Los Angeles VA hospital, have been making important contributions to our understanding of mental disease as embodied in their recent important book "Biochemistry and Behavior."

Dr. Robert Becker, of the VA hospital, Syracuse, is making major contributions to our understanding of the manner in which biological systems follow the the laws of solid state physics. These are but a few examples at random of programs that would add luster to any institution. It could be extended greatly but I trust will serve to illustrate the point I am trying to make. The VA in my estimation is to be strongly commended for its attempts to balance its vast clinical program with solid basic research endeavors. It is not infrequent to hear the question of why a medical research organization, especially in the hospital setting, concerns itself with these fundamental investigations. I would express the thought that no modern medical research effort can hope to justify its existence unless a serious amount of attention is paid to these basic questions. I am happy to express the feeling that the VA program is a well-balanced one and is worthy of the most enthusiastic support by all parties.

Training needs require careful thought. We are outrunning our intellectual resources and must build into our training new techniques and methods of thinking for future problems. Special fellowship programs should be offered without regard to age or nationality. It is possible that new and far more creative types of scientist groups or assemblies (as F. O. Schmitt so aptly calls them) might be devised if the self-organizing and autocatalytic capacities of scientists, deeply motivated with respect to the attack on problems of the life sciences were given full scope by providing new and far more flexible types of organization and supporting facilities. Here the VA can play a key function of vast consequences.

Dr. FERNANDEZ-MORAN. I consider it a privilege to appear before you. In some ways I am an outsider.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Dr. FERNANDEZ-MORAN. My field of interest over the past two decades has been the study of the structure of tissue, and particularly nerve tissue and membranes. We are in effect a package of membranes and it has been said, appropriately, I believe, that the field we now call molecular biology is the central unifying discipline of medicine today. It involves the use of physics, chemistry, you name it, in the field of medicine. Therefore, I welcome this privilege to appear before you.

I am a recent newcomer to the Veterans' Administration. I knew nothing of it until a few years ago when it was my good fortune to meet Joe Meyer and Hal Schnaker. Then I discovered to my amazement and, I must confess, great satisfaction that in the Veteran's Administration you not only have the largest hospital organization in the world but a very vigorous and well conceived and well conducted and, last but not least, inspired basic research program. This was evident when I attended the Veterans' Administration conferences and saw quality of work which I had been reading in the medical journals but did not know it came from the Veterans' Administration. One was the work of Dr. Ludwig Gross at the Veterans' Ad-

ministration Bronx hospital on leukemia which is undoubtedly a key piece of research. There has been equally good work in the field of hypertension, and I could cite many others. They are in my prepared statement.

So far as the role of basic research is concerned, I think I could point to one example in my own experience, one that I followed for 8 years when I was medical attaché in Sweden for the Scandinavian countries and it was my business to find out why a nation of 6 million people with a large hospital population and with very few doctors managed to attain such a remarkable record of high standards in practically every field. I think the gentlemen here will attest to the fact the Swedes are second to none in medicine and basic research.

Mr. THOMAS. Is that a fact?

Dr. FERNANDEZ-MORAN. Yes, it is not only the Nobel Prize that makes Sweden so attractive. Many of the techniques that we are using today in the study of aging were developed by a Swedish doctor who is now 75 years of age and over the past years he has not only married many times and shown his fertility in that region, but at every stage of his life he has occupied an active place.

Mr. THOMAS. We have a very dear friend we admire very much in the Children's Hospital and he introduced us to a young Swedish engineer. I said, "What in the world are you doing with an engineer here?" He said, "Well, he and his family invented this machine and you could not buy it for $100,000 and he is the only one who can make it work." He said it was simply wonderful what he could do.

Dr. FERNANDEZ-MORAN. I wanted, sir, to bring out the point of Sweden because it is germane to our discussion here in the following sense: They have managed to keep their quality by attracting top men and you can only attract top men in the medical field if you do research, because research is the wellspring of medicine. The discovery of the electron microscope made it possible to distinguish living organisms that were very pernicious. Techniques like cell cultures are indispensable for vaccines.

I understood you have 125,000 beds in the Veterans' Administration and 22 million veterans to take care of. Here is a unique opportunity, in a country which today leads the world in scientific research and particularly in the medical sciences, to bring about this cross-fertilization. So it is not only a question here of whether you think that basic research is something that should be added. I would go further and say it is indispensable, that in fact without a good basic research program going on you will not have the quality of medical people that you will need to take care of your veterans program, and that aging, which certainly ranks as one of the most challenging problems of today, is one of many problems. Today we are, as was so appropriately pointed out by Mr. Burch, on the threshold of completely new things. We are able today to see molecules. We could not do this a few years ago. We are able to see atoms. And we will soon be able to see the blueprint which is written in letters only three atoms apart, and we can already see things this small.

Mr. THOMAS. Will you have us all living to be 110 except the weaker sex and they will live to 120?

Dr. FERNANDEZ-MORAN. Some claim 120 is by no means the limit. The Swedish Kings have been trying to establish a record in that re-

spect the past 100 years or so. I think undoubtedly we can extend it but we will do so not by a crash program or a haphazard program but by a strengthening of the basic sciences. This is a very important point.

Another point that came to mind while reading of the program underway is the training. We have a unique opportunity here to establish training programs that will permit the young doctors of today to get what they really need sorely, a good background in physics and mathematics, but without losing the contact with the living object, with the human. Here you have a pool, if I may use the word, of 125,000 beds. You have a commitment. You have a number of challenging problems. It would seem to me bringing the two things together is a natural and so far as the budget is concerned it was said before the $5 million for aging was just a fraction of the cost of the POLARIS. I for one believe that the role the basic research program of the Veterans' Administration will play and is already playing will be one of the first order of magnitude. If you compare the budget these people have for basic research with the budget of other agencies you will immediately notice it is well below the total figure. So just like you cannot have a culture of organisms growing without experimental growth, I can see the program they have is just a beginning.

Thank you.

Mr. THOMAS. Thank you very much for a very fine statement.

Dr. FERNANDEZ-MORAN. Thank you.

STATEMENT OF DR. RICHARD V. EBERT

Mr. THOMAS. The next witness we have is Dr. Richard V. Ebert, professor and head of the Department of Medicine, University of Arkansas. Welcome aboard, Doctor.

Dr. EBERT. Mr. Chairman, I appreciate your inviting me here.

Mr. THOMAS. Doctor, tell us something about yourself. You look about my age, about 28.

Dr. EBERT. I am 52.

Mr. THOMAS. Where did you go to school?

Dr. EBERT. I went to the University of Chicago and took postgraduate work in Boston. I was in World War II and after World War II I went to Minneapolis as chief of the medical service of the VA hospital and assisted in developing their teaching program and also participated in the early phases of their research program. Actually, there was a research program in the late forties. I do not know how it was financed. In 1954 I went to the University of Arkansas and have been there since.

Mr. THOMAS. In 1954?

Dr. EBERT. Yes. And I have worked closely with the people in the Little Rock hospital in developing their program there.

Mr. THOMAS. Is that a good hospital?

Dr. EBERT. I think so.

Mr. THOMAS. How do you rate it?

Dr. EBERT. We rate it high.

Mr. THOMAS. Your judgment ought to be good.

Doctor, we will put your statement in the record and you can talk to us.

(The statement follows:)

STATEMENT OF DR. RICHARD V. EBERT

Mr. Thomas, distinguished members of the committee, let me begin by thanking you for the privilege of appearing before this group. I have had an interest in the Veterans' Administration research program since 1946. Following service in World War II, I became chief of the medical service at the Minneapolis Veterans' Administration Hospital. While serving as a physician with the Veterans' Administration I assisted in developing a research program at the Minneapolis hospital. In 1954 I became chairman of the department of medicine at the University of Arkansas Medical School. Since that time I have been closely associated with the program at the Little Rock Veterans' Administration Hospital. This hospital plays an important role in our teaching program. In addition, it has developed a strong research program. During my career I have had a strong interest in clinical research and have served on advisory committees of the National Research Council, National Heart Institute, and Veterans' Administration. I have also been president of the American Society for Clinical Investigation and the Central Society for Clinical Research.

As a former VA physician and as chairman of the department of medicine in a medical school closely associated with a Veterans' Administration hospital I have had the opportunity to observe closely since World War II the VA research program. It has grown in a healthy fashion to its present size and stature and is now the largest and one of the most productive research programs in existence. Over 6,000 individual research projects were carried out by 1,950 physician investigators and 200 basic science investigators last year. The program is broad in scope ranging from the most basic molecular investigations to direct bedside clinical research. There were 2,750 scientific publications contributed to medical literature last year as a result of this program.

My purpose in appearing before you today is to point out that the potential of the Veterans' Administration in research has just begun to be tapped. The presence of 125,000 hospital beds distributed among the 168 hospitals with 90 of them affiliated with neighboring universities and medical schools creates a national resource for research that is unparalleled. The association of physicians and scientists in a large hospital with excellent facilities for patient care has permitted the development of the stimulating research environment. Not only have strong and imaginative research programs come into being but the stimulus of research has enhanced patient care and made it possible to recruit first-rate physicians into the Veterans' Administration. Investigations are being carried on not only in tuberculosis and mental health but also in the treatment of heart disease, strokes, cancer, diabetes, high blood pressure, and a host of other disease processes.

One of the important aspects of the Veterans' Administration research program is the development of cooperative studies. In these studies large numbers of hospitals and physicians cooperate together in a careful study of the treatment of various diseases. The information obtained from these studies has been unique and important. The first such study was an evaluation of the treatment of tuberculosis with various drugs. More recently studies have been carried on in the treatment of strokes, heart attacks, and high blood pressure. The results of these studies will guide physicians in the treatment of patients for many years. There are literally dozens of unanswered questions in medicine that can and should be approached in these studies and the Veterans' Administration is certainly best equipped to do this.

What is needed to enable the Veterans' Administration research program to carry through this potential? Adequate funds are the key. These funds will enable the Veterans' Administration to overcome two factors that limit any large research program in realizing its potential. These limitations are lack of trained scientific personnel who are capable of doing excellent research and a critical lack of space in which to mount new research. The former is of lesser importance in the Veterans' Administration system at the moment. Unfortunately, many of the competent investigators now in the Veterans' Administration have been unable to carry on their programs at their fullest capability because of cramped space. This shortage of research space becomes even more critical in the instance of new research programs. Those who are here with me are talking of additional funds for the new and important Veterans' Administration

research-in-aging program. May I respectfully urge that this committee if it sees fit to grant such additional funds stipulate that a portion of it be used to create new research space perhaps in the form of quickly constructed prefabricated buildings. This would overcome a serious bottleneck in advancing the research program.

May I close then by reiterating the high quality of the vast Veterans' Administration research program and the need for the best interests of health in the Nation to provide funds that will allow this program to move forward properly. Thank you, gentlemen, for the privilege of being allowed to speak.

Mr. JONAS. How do you get all those good football players down there?

Dr. EBERT. Some come from Texas but a good many are from Arkansas; not very many from Tennessee.

Actually I am not here primarily to discuss the question of aging but the program in general. I feel very strongly that the research program has made a great contribution to the Veterans' Administration hospital and has attracted first-class people in the Veterans' Administration hospital and created an atmosphere for the practice of medicine.

Mr. JONAS. Mr. Chairman, would you yield?

Mr. THOMAS. Of course.

Mr. JONAS. The discussion about the problem of aging leads me to raise a question: Most of the aging veterans in institutions are in the domiciliaries.

Dr. EBERT. A number of the domiciliaries are associated with the hospitals.

Dr. FERNANDEZ-MORAN. Excuse me. I received a document that might contain some pertinent information.

Mr. THOMAS. Submit that to Mr. Jonas.

Dr. SINEX. In the Spanish-American War veterans program they studied 18,000 Spanish-American veterans wherever they were. They went out and found the aging veterans whether they were hospitalized or not.

Dr. EBERT. I might mention the cooperative studies. You were asking whether the research in the Veterans' Administration really gave rise to better treatment of the ordinary patient, and this is an example where it does. In a cooperative study a large number of physicians work together with statisticians to determine which type of therapy or medicine is most effective. The first study was on tuberculosis. This really determined the most effective method of treatment of tuberculosis and it is used today. Similar studies are going on in the field of heart attack, strokes, hypertension, and a number of other diseases. Through the cooperation of these large number of hospitals they were able to obtain information which can be applied by physicians throughout the country, and it is a great contribution.

Mr. THOMAS. That is bound to be true.

Dr. EBERT. So this is one aspect of the Veterans' Administration program where the total potential is used in a centralized manner.

The only other comment I have to make is that there is a real need for space for research in the Veterans' Administration. Someone mentioned there were spacious laboratories, and indeed there are some, but in general the Veterans' Administration has been short of space,

largely because the hospitals were designed before the research program was started.

Mr. THOMAS. Doctor, you were nice to come. It is a great honor and privilege to have you.

Dr. EBERT. Thank you.

STATEMENT OF DR. HANS SELYE

Mr. THOMAS. We have Dr. Hans Selye, professor and director of the Institute of Experimental Medicine and Surgery, University of Montreal, Montreal, Canada. I passed the doctor in the hall and I said, "Here is a distinguished man." Doctor, we are honored to have you. Your prepared statement will be placed in the record and you may proceed and talk to us in your own words.

(The statement follows:)

STATEMENT OF DR. HANS SELYE

Mr. Thomas, members of the committee, may I express my appreciation at being permitted to speak before this group?

1. My qualifications are the following:

(A) I have spent 35 years in medical research mainly in the fields of stress, cardiac accidents, aging, and pathologic calcifications. After having obtained an M.D., a Ph. D. (chemistry) and a D. Sc., I have published well over a thousand original articles and 18 books on topics related to medical research.

(B) I have organized one of the largest research institutes in Canada which is wholly devoted to investigation and postgraduate teaching.

(C) As a physician and a scientist, I have had many contacts with the U.S. Veterans' Administration research program and these have given me a perspective that may be helpful in discussing the problems which confront your committee.

(D) Since my work is done in Canada, I feel that I can assess the problems of the U.S. Veterans' Administration research organization with the objectivity of an outsider, which colleagues in the United States might find difficult to attain.

2. I come before the committee to present some of the unique qualifications of the Veterans' Administration to carry forward the research vitally needed, both at the laboratory level and with large patient populations, to attack the unsolved problems of how and why we age, and what can be done to modify this process in a beneficial direction.

3. All of us, of course, have known of the Veterans' Administration system in a general way for many years. I first became acquainted in greater depth with the nature of the VA operation in the fall of 1964, through the interest of the VA Research Service in the experimental work in aging in progress in my own laboratory. I found that the hospital system was uniquely organized to carry on investigations in just about every area of science, from the most basic laboratory work to the direct bedside clinical investigations, and, indeed, is already contributing to advances in our scientific knowledge in a most meaningful way. Of the 5,400 physicians in the Veterans' Administration system, 1,950 are already carrying on research programs and projects in addition to their clinical patient care duties. These are supplemented by a group of nonphysician basic scientists, 200 of whom are engaged full time in research. The organization is carrying on over 6,000 separate research projects, which resulted last year in 2,750 publications in the scientific literature.

I was privileged to meet with almost 400 of these Veterans' Administration researchers at the Annual VA Research Conference in December 1964, and was impressed by the high caliber of their scientific knowledge and their strong devotion to the academic approach to research and to medicine in general. This is reflected, of course, in the outstanding patient care available in the Veterans' Administration hospital system.

4. Since my current area of research interest is in the mechanisms of aging, I was particularly intrigued by the unique approach of the VA Research Group

to developing a meaningful program in this area. The collaborative efforts being mounted between established university investigators who are working on various unsolved problems of aging and the local Veterans' Administration hospital, which the VA calls its satellite laboratory program, is a technique which must certainly result in more meaningful and more rapid advances in our knowledge of the aging process.

5. Significant as is this program in its potential, the possibilities of mobilizing groups of the patient population in the 125,000 hospital beds in the Veterans' Administration, groups in which new concepts in the treatment of the aging processes and diseases can be scientifically tested is even more exciting. The Veterans' Administration has already demonstrated this ability in the 44 so-called cooperative studies which it currently carries on. These run the gamut of disease processes, from high blood pressure to strokes to mental diseases. A similar program is underway that involves the clinical research talent of the VA directly in testing measures that have been shown to be safe and promising by prior work with small groups and in animals. This clinical therapeutic approach to research in aging has been called the blueprint program by the Veterans' Administration, since it involves the design of a research program around the treatment of some important aspect of aging, the program to be carried out by physicians at each of the hospitals participating under the general supervision of the designer. Needless to state, the problems are chosen and the research designed by outstanding scientific leaders. Such programs are now underway studying the treatment of heart attacks, strokes, diabetes, rheumatism, and other diseases that are more common among the elderly.

6. The ability, by dint of its size, facilities, and organization, of the VA to attack research problems that cannot be touched in other scientific environments makes its research contributions particularly meaningful. The approach of this group to the field of aging research is exciting, and cannot fail to advance our knowledge significantly. May I respectfully urge the committee to take these factors into account in judging the needs for support of this program, and specifically to provide the additional support needed to allow them to carry through in meaningful and expeditious fashion the good beginning already made in the critical aging research field.

Thank you again for the privilege of being allowed to address you.

Dr. SELYE. First let me thank you and the members of the committee for permitting me to be here. By way of introduction let me say I am the director of the Institute of Experimental Medicine & Surgery which I organized myself in Canada. I think it is Canada's largest basic research institution.

Mr. THOMAS. Tell us about yourself. You are still quite young.

Dr. SELYE. I am 58 years old. I started my schooling in Europe and studied medicine. I got my Ph. D. in chemistry at the University of Prague and did postgraduate work in Rome and in Paris and at Johns Hopkins and worked at Magill. Now I am at the University of Montreal.

Mr. THOMAS. Go ahead, Doctor. That is most interesting.

Dr. SELYE. During that time I have been interested mostly in the research on the daily stresses and strains that can cause aging, and among my qualifications one of the most important is that since I am not an American I can view the VA program in an objective way.

Mr. GIAIMO. May I interrupt you there? About 10 years ago I had a negligence case involving stress and I remember using a work by a Dr. Hans Selye. And I won the case.

Mr. THOMAS. Doctor, maybe it is not too late to charge him a little fee.

Dr. SELYE. I think since almost everything that can be said about the Veterans' Administration has already been said, I can keep my remarks short by saying I surely concur with what my colleagues

have previously said. What made me principally interested in the Veterans' Administration was contact with the ubiquitous Dr. Schnapper. He was in Montreal and became interested in our work on aging and through him I met other people in the Veterans' Administration structure and have been invited to the annual meeting of the Veterans' Administration people, and I was equally as impressed as my colleague, Dr. Fernandez-Moran, with the research being done in this institution. I think it is very rare to find in one place so many highly qualified people. I believe there were 400 at this session and I spoke on stress, but rarely have I had such an interesting discussion.

I would like to further emphasize the great strength of the organization. It is extraordinarily well structured, so that the various parts really can cooperate. There are few places in the world where medical research can be conducted on planned single subjects which can then be examined in various hospitals with different basic research methods. I think they call that the blueprint method of investigation. They can then sit down and make a plan in all the hospitals centrally directed and it can be so planned it will then lend itself to statistical evaluation. This has to be done in the planning stage. They can do that because of their unity in the whole organization, and any new treatment on anything—not only aging but any procedure—the person can be absolutely certain it is not dangerous, it has been statistically analyzed on a large population, and I do not think there is any population more suitable to doing this than the Veterans' Administration hospitals.

Also, through the satellite program we help universities. It is not only what they do in the Veterans' Administration but what they do in helping university research. They have extraordinary facilities which they can put at the disposal of others through the hospitals located near almost every university in the country. They can help basic research through an organized cooperation.

So I think in the Veterans' Administration organiatzion you have certainly the world's outstanding large-scale organized machinery for both theoretical and practical medical research, and as a noninterested or not personally interested but interested outsider, I ask that you assist in increasing the research requested.

Mr. THOMAS. Thank you very much. We appreciate your statement very much.

Dr. SELYE. Thank you.

Mr. THOMAS. The meeting would not be complete without hearing from Mrs. Mahoney, one of the outstanding members in the cause of research and development. Mrs. Mahoney, we are delighted and honored to have you with us. Will you say a few words for us?

Mrs. MAHONEY. I am delighted to be here. I wish Dr. Selye had brought some slides. He has slides of animals. Maybe he will tell you about them.

Dr. SELYE. No: I did not bring them.

Mr. THOMAS. We are very much the richer for having all of you with us. We thank all of you, and hope you come back to see us again. Thank you very much.

TUESDAY, APRIL 13, 1965.

## NASA ELECTRONICS RESEARCH CENTER

### WITNESSES

**HON. THOMAS P. O'NEILL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS**
**HON. EDWARD A. CRANE, MAYOR, CAMBRIDGE, MASS.**
**PAUL J. FRANK, ADMINISTRATIVE DIRECTOR, CAMBRIDGE REDEVELOPMENT AUTHORITY**
**ROBERT F. ROWLAND, DIRECTOR, KENDALL SQUARE PROJECT, CAMBRIDGE REDEVELOPMENT AUTHORITY**

Mr. THOMAS. Gentlemen, the committee will please come to order.

Mr. O'Neill, you are very nice to come in and help us. We understand we have some very distinguished guests in the form of the mayor and some of his people. Won't you introduce the mayor for us?

We all love your Member here, Mr. Mayor. He is one of the senior Members of the House, and, of course, we all listen to him. You have people here from the East. You have them from the South. You have them from the Midwest. So you have a good cross section here. Introduce the mayor.

Mr. O'NEILL. Mr. Chairman, part of my congressional district is the city of Cambridge, in which I have resided my 52 years. It is a unique and unusual city, the sixth largest industrial city in New England. It is a city that has six colleges and universities, of course, the most famous being Harvard and MIT. It has a population of 106,000 people.

Very interestingly, we take great pride in the fact that colleges and industry have molded together to make this a great city. One of the real reasons it has been molded together to make this a great city is that a young man graduated from Harvard some years ago with a Phi Beta Kappa key and went on to Harvard Law School and graduated and became a successful practicing attorney and, at a tender youth, entered into city politics, and he has been in the politics of our city for 28 years. He is the perennial mayor of our city. He has been honored by the Mayors Association of America to represent the mayors of America in a meeting which I believe will be held in Geneva. He also has been chosen to be on a panel to go over and spend a month in Germany, working with various cities over there, explaining to them the operation of democratic action in cities in America.

With those remarks I can say, as you can see, Edward A. Crane, our mayor, is the biggest man in our city. Without any exception whatsoever, he is one of the really great men of America. So, with that, I am happy to present to you gentlemen the mayor of my city, Edward Crane.

Mr. THOMAS. Mayor Crane, we have another distinguished Representative of Massachusetts here, our friend, Mr. Boland. Mr. Boland, you and the mayor are friends, too.

Mr. BOLAND. Yes; the mayor and I have been friends for years. I am some 80 miles away from him. I can only repeat what my colleague has said, that he indeed is one of the great public servants of

our State and this Nation. No man has done more in the days the mayor remembers so well when there used to be some real problems of the universities in this area. He has done more to get them together and to help Cambridge.

Mr. THOMAS. Of all the great communities in America, although I guess all of us love our respective hometowns, I cannot imagine any debt that we owe that is any larger than all of us owe to good old Cambridge. It is the cradle, as far as I am concerned. You come from a great part of the country, Mr. Mayor, and we are delighted and honored that you came. We want you to give us the benefit of your good judgment.

The committee is a little bit concerned about a laboratory in your city. The Government is spending almost $8 billion a year in the field of electronics. That includes the military and everybody else. NASA itself is spending about $2.2 billion alone. They have to have a laboratory. It will be one of the great savers. These scientists tell us they are just knocking at the door. No telling what they will do in the way of breakthroughs in another 2 or 3 years.

With that, tell us what the picture is. We also want you to tell us what the situation is. Where should that laboratory be located? We do not want to buy a lawsuit and get tied up in the courts for 3 or 5 or 6 years. Tell us what we ought to do—period.

Mayor CRANE. Mr. Chairman, Congressman O'Neill, our distinguished Congressman, Congressman Boland of Springfield, and other members of the committee, I certainly want to thank you for your thoughtful and most generous remarks by way of introduction. It is not often I get this opportunity to come before a ranking committee of the Congress.

I have prepared, Mr. Chairman and members of the committee, as a result of your invitation a letter of transmittal.

Mr. THOMAS. Mr. Mayor, put that statement in the record verbatim, and you start talking.

(The letter follows:)

CITY OF CAMBRIDGE, MASS.,
*April 13, 1965.*

INDEPENDENT OFFICES APPROPRIATIONS COMMITTEE,
*House of Representatives,*
*Washington, D.C.*

GENTLEMEN: I welcome the opportunity at your invitation to present to your honorable committee the attached statements and documents relating to the Kendall Square urban renewal project (Massachusetts R–103) in Cambridge, Mass.

Attached to this letter is a background paper indicating the successful completion of two urban renewal projects in the city, Rogers Block (urban renewal, Massachusetts, 7–2, which was expanded through private investment into the Technology Square office and research center) and the Riverview residential project (Massachusetts R–21); cost figures for these two projects along with the project cost figures for the Kendall Square project; a copy of the Cambridge City Council report dated July 27, 1964, on the project and a resolution of the council inviting NASA to locate in our city; a letter dated January 20, 1965, which I delivered to members of the House Space and Aeronautics Committee; extracts from an address delivered by Dr. Winston E. Kock, Director, Electronics Research Center, National Aeronautics and Space Administration at Boston University on January 11, 1965; and a copy of the feasibility survey report on the Kendall Square urban renewal project, dated April 9, 1965, filed by the Cambridge Redevelopment Authority with the regional director of the Housing and Home Finance Agency in New York.

We in the city administration offer you our full cooperation and are prepared to assemble material or answer questions concerning the Kendall Square project.

Cordially,

EDWARD A. CRANE, *Mayor.*

BACKGROUND MATERIAL, KENDALL SQUARE PROJECT, MASSACHUSETTS R–103

*Estimated cost of Kendall Square project*

The Cambridge Redevelopment Authority estimates the gross project cost of the Kendall Square project at $20,513,000.

Using city funds, and before Federal funds were allocated to the project, the authority engaged real estate experts and others to establish fair and intelligent cost estimates with the following results:

| | |
|---|---|
| For property acquisitions, entire project | $12,500,000 |
| For survey and planning, entire project | 663,000 |
| For improvements such as filling canal and building of streets | 400,000 |
| For demolition of buildings | 625,000 |
| For expenses associated with the administration of acquisition, selling land, staff and other expenses for relocation, property management, interest | 1,800,000 |
| This represents what MIT has already spent for capital improvements to its plant and must be included in project costs (just the same as a new city school or hospital) since the city intends to take advantage of sec. 112 of the Housing Act to use this figure toward its ⅓ share of the net project cost at the completion of the Kendall Square project | 4,525,000 |
| Gross project costs | 20,513,000 |
| Return to project from sale of land | 6,000,000 |

| | *Disposition Area* | *NASA* | *Other* | |
|---|---|---|---|---|
| Square feet | 1,830,000 | 1,263,240 | 566,760 | |
| Amount from sale of land | $6,000,000 | $3,150,000 | $2,850,000 | |
| Cost per square foot | $3.27 | $2.50 | $5.00 | |
| Net project costs | | | | 14,513,000 |
| Federal share of net (⅔) | | | | 9,675,000 |
| City share of net (⅓) | | | | 4,837,667 |

*Estimated Federal contribution to project*

| | |
|---|---|
| Federal share of net project cost | $9,675,000 |
| Relocation grant estimate, all Federal cash | 1,800,000 |
| Total Federal contribution estimated in October 1964 | 11,475,333 |

The above figures have been rechecked since being originally compiled by the Cambridge Redevelopment Authority in October 1964 and they have been found to be substantially correct.

The regional office of the Housing and Home Finance Agency, for instance, called for a recheck and substantiation of the acquisition costs. The redevelopment authority had R. M. Bradley & Co., a reliable industrial realtor in the Boston area, recheck the figures and their original notes with the result that the regional office of HHFA is satisfied that the acquisition cost estimates appear to be reasonably accurate.

REDEVELOPMENT AUTHORITY ESTIMATES ACCURATE IN PAST

The Cambridge Redevelopment Authority has a history of accurate urban renewal project cost estimates as stated prior to the start of its two completed projects, Technology Square (Rogers UR Mass 7–2) and Riverview (Mass R–21).

Admittedly neither project is as large an operation as the Kendall Square project but the fact remains that the financial prudence of the authority has been demonstrated.

The fact should not be overlooked that the Rogers Block project was only 5 acres but having been cleared the area was easily integrated with the abandoned 9-acre soap factory site adjacent to it and through the combination of urban renewal and private development funds the present Technology Square Research and Office Center is being built to produce more than six times the tax revenue than received from the 14 acres prior to development. In addition more than three times, and most likely four times the jobs will be provided in Technology Square than there were in the soap factory and various small enterprises on the 14-acre site.

The second completed urban renewal project, Riverview, consisted of 2½ acres of mixed uses producing about $7,000 annually in taxes. Today the area consists of 79 dwelling units producing more than $50,000 in taxes annually and 4 times the number of dwelling units than existed on the project area prior to urban renewal.

What did these projects cost? Here are figures taken from a redevelopment authority report to the city council and others:

*Rogers Block (Technology Square)*

| | |
|---|---|
| Administrative costs | $189,279 |
| Land acquisition cost | 440,325 |
| Gross project cost | 629,604 |
| Proceeds from sale of project land | 320,000 |
| Net project cost | 309,604 |
| Federal share | 206,403 |
| City share | 103,201 |
| State reimbursement | 51,601 |
| Net city cost | 51,600 |

*Riverview project*

[The cost figures for the Riverview project, stated in accordance with the Federal formula on which HHFA bases cost allocation and distribution]

| | |
|---|---|
| Administrative costs | $157,739 |
| Peabody School credit (9.82 percent of school cost) | 181,453 |
| Land acquisition cost | 275,000 |
| Gross project cost | 614,192 |
| Proceeds from sale of project land | 154,350 |
| Net project cost | 459,842 |
| City's contribution: | |
| Noncash credit (Peabody School) | 181,453 |
| Minimum local ⅓ share of new project cost | 153,281 |
| Excess noncash credit (to be pooled, held in reserve) | 28,173 |
| Cash contributed to project (pre-Peabody School to be returned to city through the redevelopment authority) | 114,147 |
| Federal contribution: | |
| Net project cost | 459,842 |
| Less city's noncash credit | 181,453 |
| Federal cash contribution to net project cost | 278,389 |
| Excess credit allowed but held in reserve for other Cambridge projects in the future | 28,173 |
| Federal ⅔ share of net project cost | 306,562 |

ECONOMIC FACTS ON KENDALL SQUARE PROJECT (MASS R-103)

Total expenditures for construction and initial equipment for the Electronics Research Center will approximate $60 million. The Research Center is expected to be operating at full capacity in 1970.

In 1970 it is expected that NASA will be spending some $77 million annually from Cambridge.

Of the $77 million, about $42 million will be spent for research contracts with private and public organizations throughout the country; but with so many research firms in and near Cambridge, it is reasonable to assume that local firms will have their share of these contracts.

The remaining $35 million will be spent in Cambridge for operations within the Electronics Research Center, of which $17 million will be for wages, salaries, and fringe benefits for 2,100 employees. The remaining $18 million will be spent for materials and services. It is again reasonable to assume the materials and services will be furnished in large part by Cambridge and Metropolitan Boston firms.

The city council's report on NASA contained these essential facts but went further to discuss the job situation insofar as Cambridge is concerned.

"There has been an indication that there would be a job loss of 3,300 people if there was a forced relocation of businesses in the area. Under our relocation plan there will be no job loss. And in fact, there will be a gain of 2,100 jobs from NASA and 2,000 more jobs in the commercial area proposed between Broadway and Main Street." (This is the 13 acres set aside for private development adjacent to the NASA site.)

The city council report (see copy attached) signed by Councilor Andrew T. Trodden, chairman; Councilor Daniel J. Hayes; and Councilor Thomas H. D. Mahoney also states that there are 40 firms now located in Cambridge interested in doing business with NASA; and there is information that 400 firms have evi-evidenced an intention of locating in Cambridge in order to be close to NASA.

The city council committee in its report also said that with NASA construction it is reasonable to assume that the total new construction in the Kendall Square area could reach the $100 million mark and that instead of a tax loss, Cambridge would experience an increase in its tax return.

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REPORT OF NASA COMMITTEE OF THE CAMBRIDGE CITY COUNCIL

As a result of a city council resolution on February 10, 1964, sponsored by Councillor Andrew T. Trodden, Mayor Edward A. Crane, appointed the following special committee: Councillor Andrew T. Trodden, chairman; Councillor Daniel J. Hayes, Jr.; Councillor Thomas H. D. Mahoney. After several meetings with Mayor Edward A. Crane, the committee and Mayor Crane wet with Administrator Webb at his request in Washington to discuss whether or not certain sites in the city of Cambridge were feasible and whether or not the Administrator should give further consideration to them in his final deliberation in selecting the site. As a result of this meeting, Administrator Webb indicated that NASA would not want to consider a Cambridge site unless the leadership of the city thought it was in the city's best interest to have NASA located in Cambridge. On the other hand, NASA would be a strong partner in any undertaking and would do everything in its power to maximize the benefits to both NASA and the city, should the site eventually be selected.

As a result of this meeting in Washington, the committee returned to Cambridge and in conjunction with City Manager John J. Curry, Mayor Edward A. Crane, the planning department of the city of Cambridge, the assessors office and its staff, and many other agencies of the city, a determination was finally made that the area bounded by Main Street on the one side, and Binney Street on the other side, Third Street and the Grand Junction railroad crossing running from Main to Binney Street would be recommended as a site to be considered and studied as a potential NASA site.

The major problems as viewed by the special committee of the city council were twofold: (1) To keep the jobs of the persons employed in the site that was to be occupied by the NASA Electronic Research Center; (2) to make certain that all of the firms located on the site would be positively relocated within the city of Cambridge.

Our primary concern was to keep the jobs of the people in the city of Cambridge and all of those persons employed so that no one would suffer the loss of his or her job and it has become a part of our positive thinking that no firm or business, small or large, will be forced out of Cambridge by our selection of a site for NASA.

A survey conducted by city agencies recently indicates the vast majority of firms intend to remain in Cambridge and in the Kendall Square area on sites to be developed.

Under the urban redevelopment plan, all owners will receive fair market value for their property, and all firms will be eligible to receive up to $25,000 for relocation. The entire project is to be staged over a 5-year period which should provide sufficient time to relocate all firms that will be affected.

Studies have shown that Kendall Square is and has been seriously underdeveloped. Conditions exist which make it nearly impossible to develop by private means due to the wasteful street pattern, distribution of small lots, and constructional use of small buildings in the entire area, and the Broad Canal eyesore which has existed for years; therefore, NASA and urban renewal combined will provide a stimulus for a rebirth of the entire area.

Investors and development groups have shown a great interest in the commercial possibilities if NASA comes to this Kendall Square area, and the whole eastern end of the city will benefit from this development, the largest and most imaginative ever undertaken by the city of Cambridge or any other New England city.

In addition to the $60 million of contract funds for ERC, NASA will be spending nearly $77 million yearly. Of this amount, $42 million will be spent for research contracts let to private and public organizations. Another $17 million will be spent for salaries and wages, and $18 million for materials and services, most of which will be purchased and spent in the immediate area.

Outside the NASA site but close nearby, we can reasonably expect that industrial buildings, which are eyesores, will be improved or torn down to make room for firms within the NASA site. This will stimulate millions of dollars of construction and provide many jobs for construction workers over a 5-year period.

There are many incidental benefits to be gained by NASA coming to Cambridge. NASA alone will bring 2100 jobs to the city of Cambridge. There are 40 firms now located in the city of Cambridge which are presently interested in doing business with NASA, and we have information that 400 firms have already evidenced an intention of location in Cambridge in order to be close to NASA. It is intended that the 47 acres in the entire area from Main Street to Binney Street and from Third Street to the Grand Junction Railroad under a wise planning use will reserve to the city of Cambridge approximately 14 acres between Main Street and Broadway to be redeveloped through private capital and private initiative and this would furnish NASA with the remaining 33 acres for the development of their Electronic Research Center.

There has been an indication that there would be a job loss of 3,300 people if there was a forced relocation of businesses in the area. Under our relocation plan there will be no job loss. And in fact, there will be a gain of 2,100 jobs from NASA and 2,000 more jobs in the commercial area proposed between Broadway and Main Street.

This anticipated 14-acre private development would provide tax income to the city which would more than offset the current taxes from the entire project area.

This truly is a plan of great vision which indicated an investment of more than $100 million—$60 million for NASA, $20 million for new construction in the private development area bounded by Broadway, Main Street, and the railroad, and $20 million for construction and reconditioning of industrial buildings nearby in Cambridge to which firms will relocate from the NASA project site.

There will be no tax loss to the city of Cambridge.

There will be a great tax gain. Not only the Kendall Square area will be benefited but there will be a resulting improvement manifested through the entire area.

Federal funds and credits and the Commonwealth of Massachusetts renewal grants indicate that, based on figures now known and available to the committee, there will be no cost to the city of Cambridge for development of the entire project.

Cities all over the country have been eager to get NASA, and in Massachusetts alone 160 sites have been considered. We have the opportunity in submitting

our plan to fulfill the basic requirements of NASA and to allow the city of Cambridge to gain the greatest benefits therefrom, while at the same time, making a substantial contribution to the national defense by providing a site for the space program.

In presenting this plan, the committee recognizes a serious relocation problem could exist and advises and requests all officials to extend every effort to preserve the jobs and places of employment of every person in the area, and urban renewal will supply a skilled staff to establish a relocation program for all firms.

We are fully convinced that a successful plan without the loss of jobs, carried out over a 5-year period, can be accomplished if the task is handled intelligently.

Attached hereto is the resolution necessary to put this plan in operation.

Respectfully submitted.

ANDREW T. TRODDEN, *Chairman*,
DANIEL J. HAYES, Jr.
THOMAS H. D. MAHONEY.

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RESOLUTION OF THE CAMBRIDGE CITY COUNCIL

Whereas the National Aeronautics and Space Administration has indicated an interest in spending $60 million in 5 years for an electronic research center in the Kendall Square area; and

Whereas it has been estimated that an additional $40 million in new privately financed construction may be expected in the immediate vicinity of the NASA site, making a total of at least $100 million in new construction reasonably soon; and

Whereas this favorable economic impact would not only be felt in Kendall Square, but would extend to Central Square and Lafayette Square as well as all through the industrial area in East Cambridge; and

Whereas an intensive survey conducted in recent weeks by city agencies reveals that a satisfactory relocation program can be carried out, and that all those firms which desire to remain in Cambridge can do so. A relocation program, without loss of jobs, carried out over a 5-year period, can be accomplished if the task is handled intelligently and by a good staff of the Cambridge Redevelopment Authority, having full cooperation of the Cambridge Industrial Commission, the Cambridge Chamber of Commerce, industrial realtors, and other community groups; and

Whereas it is believed that there are 400 other firms which could be attracted to the Kendall Square area to be near the NASA Research Center, it is reasonable to assume that they would provide more than 2,000 new jobs. These would be added to the 2,100 new jobs NASA would supply; and

Whereas industrial eyesores outside the NASA project area but nearby in Cambridge will be improved or replaced by new structures for the relocation of firms now within the boundaries of the NASA project area; and

Whereas another eyesore for many years will be eliminated with the filling in of the Broad Canal; and

Whereas the anticipated 14-acre commercial development adjacent to the NASA site would also provide tax revenue to the city which would more than offset the current taxes from the entire project area; and

Whereas Federal funds and credits and the Commonwealth of Massachusetts renewal grants would substantially eliminate any cost to the city for this project; and

Whereas cities throughout the country have been trying to obtain the NASA Center and in the Commonwealth of Massachusetts 160 sites were considered, the Kendall Square site is unique and most advantageous to NASA by fulfilling all the agency's basic requirements. It also allows the city the greatest gain with a minimum of difficulty, while at the same time Cambridge will be making a substantial contribution to the national defense by providing a site for the Nation's space program: Now, therefore, be it

*Resolved*, That the City Council of Cambridge requests the Cambridge Redevelopment Authority to prepare an application or applications for Federal survey and planning funds for the area bounded by the centerline of Third Street, starting at Kendall Square, the centerline of Binney Street, to and including the right-of-way of the Grand Junction Railroad, and thence to the centerline of Main Street back to the junction of Third Street and Main Street at Kendall Square; and be it further

*Resolved*, That the area north of Broadway, included in the above bounds, be designated and submitted to NASA by the city of Cambridge as the site for its electronic research center, and the area south of Broadway within these bounds reserved for private development; and be it further

*Resolved*, That the Cambridge Redevelopment Authority, in cooperation with civic groups and whatever professional assistance it requires, do everything within its power to facilitate the relocation of businesses in the Cambridge area without the loss of jobs and that businesses be allowed to remain in their present locations as long as is possible; and be it further

*Resolved*, That the city manager is requested to furnish the Cambridge Redevelopment Authority adequate funds to prepare a survey and planning application or applications for Federal funds for the area described.

Mayor CRANE. I realize the Congressman has said there is something unique about Cambridge. We just want to put a few of the facts on the record here because one of the fundamental questions is why they want to go to Cambridge, Mass. What is up there? It has been referred to as the Times Square of American education and the architectural garden of America and the rest of it. We feel education and research are our most important products.

You, Mr. Chairman and members of the committee, are familiar with the radiation research and research in radar and electronics which has gone on there. This whole matter is very closely associated with and, in fact, is part of our national defense. We are aware that bringing this Electronics Research Center to Cambridge is actually to establish there a third major educational institution and one which, thinking of the century ahead, anybody close to this predicts will far outstrip Harvard and MIT.

Incidentally, Harvard is, of course, the largest endowed university in America, with twice the endowment of the second or runner up. It now exceeds $1 billion. MIT is the tops in science and technology in many ways. Already in existence, these two educational institutions have more than a billion dollars in facilities right there in the 6 square miles which make up Cambridge. At the present time the proposal is to move in on the existing facilities and take advantage of association with both faculty and research scientists, old and young and in between. The fact is that among students who express a desire to go to some school under national merit scholarships, according to figures released a few weeks ago, their No. 1 choice in science and technology is MIT, both in our town.

The payroll of these two now exceeds 22,000. MIT has 12,000 on the payroll, and Harvard has 10,000. Only last week it was announced that MIT was given an additional $15.5 million for research in the next 9 months on the APOLLO project.

Of course, we realize that money is pouring into the city from all over the world. As I tell people sometimes, some adoring grandfather out in San Francisco right now is paying a premium on an education endowment policy so a granddaughter or grandson can be educated at Cambridge in 1985.

We have only 1 out of 6 people who live and work in our city. We have an active chamber of commerce, 1,300 members, and only 10 percent of them actually vote in the city.

This location for the NASA Electronics Research Center is in the eastern end of the city, which was developed as the result of reclaiming tidelands back 40 or 50 years ago. MIT came to Cambridge in 1913 on the invitation of the city council. They have taken over the

whole eastern riverfront. As I say, this invitation for NASA to come here is very similar to MIT, except we know that anybody who comes to Cambridge today has to come with a bulldozer. They have to bump somebody because the city is fully developed. It is not advantageously developed in all areas, particularly the eastern end. But the talk is that the Kennedy Memorial Library Committee want to come in there. They have their eyes on another location upstream in Harvard Square, and now NASA is down at Kendall Square.

SITE SELECTION

Just a year ago the Site Selection Committee of NASA came to my office, and the two criteria they had were that they wanted to be within walking distance of MIT and they wanted to be within public transportation of Harvard and the other universities in the Greater Boston area. Therefore, they selected this site in Kendall Square.

Mr. THOMAS. Do you agree with their selctieon, Mr. Mayor?

Mayor CRANE. I have no question about it, Mr. Chairman.

Mr. JONAS. Mr. Mayor, we are a little bit concerned over the displacement of 94 industrial concerns, the razing of plants, structures, and business establishments, and forcing them out of their property ownership to make 29 or 43 acres available right in the heart of the city for this center, when vacant land is available in close proximity. Of course the council, I assume, has received the same protests that we have received from the committee to protect or state the case for the 94 firms. That is the thing that bothers some of us on the committee.

Mayor CRANE. Congressman Jonas, let me say, yes, NASA had a very competent Site Selection Committee go up there which was chairmaned by Col. Robert Young. They considered 160 sites in the Greater Boston area. They finally selected this site, Kendall Square, which is actually not in the heart of the city. It is in the industrial section. We have a map here which you can look at later, with aerial photos. It shows that half of the 42 acres involved here are undeveloped. Of course, we have the rapid transit subway which actually goes right under the 42 acres here.

The enumeration of 94 business concerns of course sounds almost destructive. Certainly, I am not one over the years who favors bumping people around unless there can be an obvious advantage out of it. We think NASA is good for Cambridge, and we feel Cambridge is good for NASA. That is borne out by their Site Selection Committee.

RELOCATION OF BUSINESSES

When they say that 94 business concerns or firms will have to be relocated, actually when it is boiled down they have included diners. We have 7 diners, for example, in this 42 acres. They are 7 of the 94. We have six run-of-the-mill corner gas stations that are involved. That is 13 from the 94. We have one building involved here, 120 Potter Street, which is an abandoned rubber factory.

These oldtime industries went there with the tidelands reclamation. When the American Rubber Co. gave up this obsolete plant, it was, of course, available for low rentals. They have 25 concerns under the room there, and all of them are included in the 94 total. You find you

have manufacturers' agents in there, you have distributors, a one-man office, telephone answering service operation.

Mr. THOMAS. You are saying, then, it is not going to disrupt the business life of the community?

Mayor CRANE. It will not. This boils down to about 27 firms that employ more than 10 people.

Mr. JONAS. The information furnished us is that these companies in the square area have an annual sales volume of $75 million, with plant values of $20 million, equipment another $20 million; that they have 3,500 employees; that 2 of the plants have been there over 100 years, 2 over 75 years, 3 from 60 to 70 years, 2 from 50 to 60 years, 6 from 40 to 50 years, 14 from 30 to 40 years, 12 from 20 to 30 years, and 8 less than 20 years old.

Mayor CRANE. That is not an accurate listing, Congressman.

Mr. JONAS. With an annual payroll of $18 million.

Mayor CRANE. We know that, on this plan, relocation is most important. We have pledged and are able to relocate all of these concerns that you have listed. We have further pledged that every one of them will be kept whole, financially.

Mr. JONAS. You say "we" have pledged. Who has pledged that?

Mayor CRANE. The Cambridge administration with the aid of the HHFA under urban renewal.

Mr. JONAS. Is that just an oral pledge or is it a commitment that is legal and binding?

Mayor CRANE. What it boils down to, Congressman, is that we have very accurate cost estimates and these estimates indicate the Federal appropriation in the urban renewal program will not compensate every owner, with a limit of $25,000 to each owner. There are 10 to 12 concerns involved which may require more than the $25,000 limit. It is our plan and we have legislation now in the Massachusetts General Court, and we have a private development corporation, and it has been estimated that to keep these tenants and owners whole financially might require an outside subsidy of about $1.5 million. We carry it as high as $2 million. We are sure that, with city funds and State funds and private funds, we can subsidize any reasonable cost, so no man can look at me after this project is over—I say to people it would be wonderful to take a 5-year vacation and come back and see it all done—so nobody is going to be able to look me in the face and say, "It cost me $50,000 when the city of Cambridge cooperated in putting NASA into Kendall Square."

URBAN RENEWAL

Mr. THOMAS. Is this an area which the mayor and the council have been figuring on for some time, for urban redevelopment, or is it a new project?

Mayor CRANE. This project was outlined as early as 1950.

Mr. THOMAS. A long time before the laboratory was ever heard of, then.

Mayor CRANE. 1950, 8 years before sputnik.

Mr. THOMAS. What will the urban renewal pay for this area on a square-foot basis? We had information in here: $3 to $3.50 a square foot. What will it be when it is ready for construction? Do you follow me?

Mayor CRANE. I think I do. The acquisition cost to NASA would be approximately $3 per square foot. When it is completed, the land in the area would probably be up at least to $10 a foot. We have seen this happen time and again in Cambridge.

Mr. JONAS. You do not mean the area of the 43 acres. That would not be valued at all for tax purposes.

Mayor CRANE. Congressman, actually I believe around 42 or 43 acres—the entire project for redevelopment.

Mr. JONAS. Fourteen acres are separate.

Mayor CRANE. That will be privately developed.

Mr. JONAS. By whom?

Mayor CRANE. By several redevelopers. We would invite proposals under the urban renewal procedures. We have been guaranteed at least one redeveloper who has put through a most successful project abutting this area.

Mr. JONAS. Is that the Cabot firm?

Mayor CRANE. Yes.

Mr. JONAS. Is MIT involved in that trust?

Mayor CRANE. MIT has put up the equity money, largely, and they formed a private corporation or trust. Under Massachusetts law, it is a real estate trust. That Wilmington Trust is financed through endowment funds of MIT. They have a ruling from their counsel that they could invest in this type of venture, and already they have doubled our tax return, even though their project is not half developed. In other words, the Lever soap factory and this rundown slum housing were a renewal project. We cleared that out of the city. That was our original redevelopment project.

Mr. JONAS. Is that on the 14 acres?

Mayor CRANE. That is the original project of Technology Square. That came out, Congressman, at 14 acres. That used to be a real rabbit warren. That clearance was 5 acres. Then Lever decided that their plant was obsolete. They were across the street. They gave up their 9 acres and we cleared that with the Technology Square project. Our tax income today, as I say, is twice what it was 10 years ago on the same area, although the entire 14 acres is only half developed.

Mr. JONAS. That is because they put private establishments in there—taxpaying organizations.

Mayor CRANE. Right.

Mr. JONAS. How will you increase your tax base by disposing of 43 acres to a nontaxpaying organization?

Mayor CRANE. It will be only 29 acres which will go to NASA, which will be tax exempt. The other 14 acres will be privately developed contiguous to Technology Square. We estimate that we will receive twice as much as we are getting now.

Mr. JONAS. Twice as much from the 14 acres?

Mayor CRANE. Twice as much from the 14 acres in the future as we are getting from the 42 at the present time.

### PROXIMITY AS FACTOR IN SITE SELECTION

Mr. JONAS. I am quite sure the City Council of Cambridge would like to have this center. I am quite sure Massachusetts Institute of Technology would like to have it adjacent to its campus. It would

be a tremendous asset. Nevertheless, we understand there is a location within 10 minutes' ride of this spot, the Watertown Arsenal, which will be phased out, about 60 acres of land already owned by the Government, which would not require any development costs to speak of. At least some of us are concerned that the Government should not oust 95 business establishments, be they little or large, unless it is necessary. I, for one, am not impressed by the argument that there is any virtue in spending all of this extra money and destroying these business establishments and forcing them to move to save a few people a few minutes' walk, when they are within 10 minutes' automobile riding distance at Watertown Arsenal. I would like you to comment on that aspect of it.

Mayor CRANE. You mentioned this would be an asset to MIT. May I suggest, Congressman, it would also be an asset to the city of Cambridge and to the United States of America.

Mr. JONAS. It would be the same asset if it were at Watertown as it would be in Kendall Square.

Mayor CRANE. Proximity is very important. The time of these scientists is very important. Surely, if I went out at 4 a.m. this morning I could go from MIT campus to Watertown Arsenal in 10 minutes but, if I get caught at 9 o'clock in the morning, it might be half an hour. There is no question about the traffic and the rest of it. Have you been to Cambridge, Congressman?

Mr. JONAS. Only driving through.

Mayor CRANE. Have you seen MIT in the last 10 years?

Mr. JONAS. Yes.

Mayor CRANE. They have at all times, now, five major construction jobs going. This is just a tremendous development. One of the things that NASA has by moving into their backyard is that they have the $400 million worth of laboratories that are now existing. All they have to do is go across the street to them. And the faculty there, of course, is largely subsidized. One of the reasons MIT can attract the top brains in this country is that these men have the opportunity to subsidize their institute income by working with outside agencies.

Mr. JONAS. We understand that, but frankly, now, there is not too much casual walking back and forth. Scientists get involved in their laboratories and they spent at least a half day there, and usually most of the night. They will not spend 15 minutes at the research center and then suddenly decide, "I have to go over to MIT and talk to somebody and come back." I cannot see much of that going on. In the first place, not many of them are going to walk 10 minutes unless they want the exercise. I know down at the university in the small town where I went to school there was not an automobile there. Now every boy there has to have an automobile to ride 3 blocks to class. I do not think you are going to find a great many of these scientists suddenly deciding in the midst of an experiment that he has to walk over to MIT and confer with somebody.

WATERTOWN ARSENAL

Mr. O'NEILL. May I interject for one moment. This particular area is my congressional area. It abuts the Watertown Arsenal. No. 1, the people of Watertown do not want the Federal Government in there any more. No. 2, we have not given up the fight on the Water-

town Arsenal whatsoever for 2,300 employees there. We are convinced that we are going to keep part of it. At the present time we are guaranteed about 1,000 employees there.

KENDALL SQUARE URBAN RENEWAL

Plus the fact, may I say to you with regard to our property down around Kendall Square, we are going to have a redevelopment area there, regardless of whether NASA goes there or not. This is slated for redevelopment, and the city is going to go through with it.

In this patricular area where all these 95 firms are, I have not received 1 letter from 1 employee. There are approximately 2,900 employees there. Why have I not received one letter from one employee? Because it is a minimum wage area. There are slipper factories, carpet factories, the cheapest of labor. If they do not work in that particular area, they can go down the street and work somewhere else at the $1.25 minimum.

The chief of the fire department, Chief Vincent Galvin, a close and dear friend of mine, died about a month ago. Every weekend when I would come home he would take me down into the area and say, "Please, for the love of God, if you can't get NASA, get this area cleared anyway. I am afraid that it is a tinderbox. Somebody is going to drop a match and a whole industrial area will go." That is the type of area this is.

I would say that there are half a dozen—half a dozen at tops—who really sincerely would like to stay there because of the fact they do not want to be relocated. You say there are 95 companies there. Of the 95 companies, other than the gentleman who is going to appear here today and his company. Other than the gentleman who represents this outfit, there has not been one protest from companies in the district, and I am the Congressman and have been for 14 years, and I talk to businessman after businessman after businessman, and they say this is the NASA project needed for the community; that without it, 10 years from now our entire area will be derelict and blighted.

As I said, the chief of the fire department said to me this will all be wiped out.

WATERTOWN ARSENAL

The interesting part about it is this. You talk about the Watertown land. The Watertown land is far more valuable today than the land around Kendall Square. May I say to you, were the Federal Government to sell the land that is on the river at Watertown, which is one of the most beautiful sites in America and one of the most beautiful rivers that goes through a metropolitan area, the Federal Government would get a lot more money than it would ever spend redeveloping for NASA, just by the sale of that property in Watertown.

POSSIBILITY OF LAWSUIT

Mr. THOMAS. Will you yield briefly for one question. The committee is concerned that we are going to buy a lawsuit. Are we going to buy a lawsuit?

Mr. O'NEILL. The mayor will have to answer that.

Mayor CRANE. As the old professor said, you can sue anybody anytime for what you want, so nobody can predict, but the Massachusetts Supreme Court last month passed on the lawsuit which was brought on this, and they said that they would not go into it because they were only planning this project at this time. If they raise another lawsuit on it, the only question that the court will go into—and the court has declared this in at least five opinions in the last few years—is whether the action of the Redevelopment Authority is arbitrary, capricious or in bad faith. This project of clearance here will go through with or without NASA.

Mr. THOMAS. Regardless.

Mayor CRANE. That is right.

Mr. JONAS. We want to go into that just a minute. How many residences are in this area?

Mayor CRANE. There are about 12 families, and they are all eligible for public housing. We have 1,700 public housing units, and these families will be very happy to get relocated.

On the number of employees, there have been figures of 3,500 and 2,600 mentioned here. We have had a very close tally on that. As of last week, the number is 2,900.

In extension of Congressman O'Neill's remarks, here I am the mayor of the city and I have received only 1 letter from any one of the 2,900 employees, and that was a man who lives in Watertown and he just wanted to put me on notice that he hoped that his job would be preserved.

We have areas in Cambridge to relocate all of these industries. We are not tearing apart a commercial shopping center or some market. You have mentioned the gross product. The gross product of these companies would actually be increased after relocation because they would be more efficient. Many of them are anxious to see this project because they would be having a more efficient operation.

We know that the only hardship that will be encountered by anybody in the area will be the inconvenience. It would be the same as if they had a complete burnout fire last night, but it is nice to have somebody waiting at your front door who will underwrite the complete loss.

Mr. JONAS. I would like to see if I understand. Do you mean you have had but one protest?

Mayor CRANE. One protest from an employee.

Mr. JONAS. What about the owners of the businesses?

Mayor CRANE. They have made no protest to the city government as such.

Mr. JONAS. They have made it through this organization?

Mayor CRANE. That is right. There is a so-called Committee To Preserve Cambridge Industry. It started with some 27 members, I believe, and it has now whittled down. There is a lot of talk that the committee is fast becoming a committee of one.

### PREVIOUS URBAN RENEWAL DEVELOPMENTS

Mr. BOLAND. Why was there such a delay in establishing this as an urban renewal area? You say there were plans for developing this as long back as 1950. What were you doing from 1950 until last year?

Mayor CRANE. Congressman Boland, as you know, urban renewal under title I began back in 1949 and 1950. Then for 5 or 6 years this material was thrashed out in the Federal courts. There was actually no progress on urban renewal or redevelopment until 1954–55. The Housing Authority had been acting as the agent. Then when the Congress came through with the 1954 amendments, they really put redevelopment and urban renewal in business.

We set up our own redevelopment authority in 1955, and in 1956 we went ahead with this Rogers Block project. That was wound up within 18 months, and then in 1957 we had the development started at Riverview. Both of those projects were carried through within 18 months. We received awards on them. They have both been very successful.

Mr. BOLAND. Did you actually file an application with the Housing and Home Finance Agency for approval as an urban renewal area?

Mayor CRANE. In 1950.

Mr. BOLAND. You actually filed an application for this particular 49 acres?

Mayor CRANE. Yes. The documents are all reproduced in the statement which I have filed.

Mr. THOMAS. Mr. Mayor, we understand exactly what you are talking about. The Agency got off the ground very late in life. They will file a plan and maybe we will pay it off through back-door spending 6 or 7 years later. So what you say rings a bell with us. We realize that.

COST OF KENDALL SQUARE PROJECT

Mr. BOLAND. How much is this going to cost the Housing and Home Finance Agency? As you know, the Federal Government picks up two-thirds of the difference between the cost of acquisition of the site and the resale of the property. The Government picks up two-thirds of that difference. What do you think it would actually cost the Housing and Home Finance Agency?

Mayor CRANE. We have had close estimates on that by the R. M. Bradley & Co., which is a leading realty firm in Boston. I know representations have been made by some of the opposition that this might go over $35 million. Their figure is $12 million on acquisition. Then there would be clearance, administrative and other costs. The Federal Government, as you know, under redevelopment comes in for two-thirds, and HHFA would set aside somewhere between $10 and $11 million for the Kendall Square project. In the area at the present time the total assessed valuation of the 42 acres is $3,600,000. So, when we carry the property cost figure of $12 million, we are carrying it at 3½ times the existing assessed valuation.

These people find it very profitable to operate in Cambridge, and we want to keep them in Cambridge. That is part of the relocation plan for this whole project.

Mr. JONAS. I think we might have a little more definitive information on your guarantee that funds from some source will be available to supplement this $25,000 maximum relocating cost. They furnished us pictures of these buildings, too, and some of them obviously cannot be relocated for any $25,000. You said you would be able to guarantee that nobody would lose a dime, but how can you say that and from what source will the funds come, and what are the figures? Have you some figures you can give us?

Mayor CRANE. This is on the $1.5 million subsidy to make them all whole, Congressman?

Mr. JONAS. Yes. Where is that money coming from, and is that enough, or is that merely an estimate and who estimated it?

Mayor CRANE. As you know, these are all estimates, but we feel they are close estimates, and we have gone into this. We have an assessed valuation of $3.6 million, and some people in opposition have said it will cost $35 million. Our assessors do not assess at one-tenth of the market value. The market value is supposed to be the assessment. We have set our tax rate. Cambridge was the first community of the 351 in the Commonwealth of Massachusetts to set its 1965 rate. We actually reduced the rate. We got a good lead from the Congress and we followed through on the real estate tax. We are also holding $1 million in reserve, largely to be available for nursing this particular project.

We have, for example, $15 million going out in an $8 million replacement hospital, and three new schools that cost us $2.5 million each. We are not loaned up. If necessary, the city of Cambridge can, well within its belt, borrow the necessary funds.

Mr. JONAS. I know, but does the council have authority to do this without a vote of the people?

Mayor CRANE. The council has the authority——

Mr. JONAS. To relocate these firms? Under your charter?

Mayor CRANE. No; I am talking about paying money to subsidize relocation costs.

Mr. JONAS. Can you do that just by vote of the council?

Mayor CRANE. No; if this is built in as a cost of this project, we can make the money available by way of subsidy. As I mentioned earlier, there is a bill in the Massachusetts General Court at the present time, because this does not only come up in Cambridge; it is true in Congressman Boland's area and it is true in the city of Boston even more so than in Cambridge.

What this is aimed at, Congressman, is to allow moving costs to be included in the compensation paid to any owner or tenant who has to be relocated. You know, we grew up in an agrarian economy, and eminent domain was to take real estate. If you got paid for the value of your real estate, that was it. We know in an industrial economy the personal property and the moving costs are just as legitimate. They cost the same type of dollars as real estate. Therefore, they should be compensable under the constitutional provision that you do not take property or business from anybody without adequate compensation.

We plan to nurse this proposition with outside firms. We do have the Cambridge Development Corp. at the present time which has been staked to half a million dollars just by two organizations.

Mr. JONAS. What do you say the relocation costs will be for the 95 firms, total?

Mayor CRANE. The total for acquisition is estimated at $12 million.

Mr. JONAS. That is land acquisition?

Mayor CRANE. Land acquisition. Then you have moving costs and administrative costs. It adds up to a grand total of $20 million, less $6 million, the estimated proceeds from sale of the cleared land.

Mr. JONAS. Does that include acquisition of new land and moving and rebuilding?

Mayor CRANE. No; they will spend the money once. When they get their $12 million for the titles, they will then go out and acquire

parcels that will be offered to them in the city of Cambridge for relocation.

Mr. JONAS. That is a $20 million estimate?

Mayor CRANE. The gross project cost.

Mr. JONAS. Where do you say that is coming from?

Mayor CRANE. $10 million of it will come from HHFA, two-thirds; and one-third from the city of Cambridge. Under the existing statutes in Massachusetts, the State subsidizes 50 percent of any local community's contributions.

Mr. JONAS. What will be the cost to Cambridge?

Mayor CRANE. The cost to Cambridge would be roughly $5 million.

Mr. JONAS. That is already $21 million.

Mayor CRANE. That is part of it.

Mr. JONAS. You said $18 million would come from HHFA.

Mayor CRANE. No. They will give between $11 and $12 million, or two-thirds of the $18 million.

Mr. O'NEILL. The first figure should be 12 instead of 18.

Mayor CRANE. Two-thirds of the $18 to $20 million.

Mr. JONAS. That is all I have.

Mr. THOMAS. Mr. Mayor, you and your staff are most helpful. We were most anxious to have you come. We will always be grateful to you.

Mr. O'NEILL. Mr. Chairman, we have Mr. Paul J. Frank, the administrative director of the Cambridge Redevelopment Authority, and Mr. Robert F. Rowland, who is director of this particular Kendall Square project.

Mr. THOMAS. We will be delighted to hear from them briefly, either one or both of you gentlemen.

Mr. FRANK. I really cannot add to what the mayor has said, except that in the eastern part of Cambridge we now have a concentration of urban renewal activity. First, we have Technology Square. We have the Wellington-Harrington area which is adjacent to Technology Square. Now we have Kendall Square which is adjacent to Technology Square. So, the city of Cambridge since 1950 has planned the redevelopment of the entire eastern section of our city.

We take them calmly and execute these projects. We do not just go in and clear land. We want to know what will happen to the land before we clear it. We have at least one redeveloper and we are quite happy to cooperate.

(Off the record.)

Mr. THOMAS. Thank you very much, Mr. Mayor.

Note: The following additional information was received subsequent to the hearing.)

CITY OF CAMBRIDGE, MASS.
*Office of the mayor, April 24, 1965.*

HON. ALBERT THOMAS,
*Chairman, Subcommittee on Independent Offices Appropriations,*
*U.S. House of Representatives,*
*Washington, D.C.*

DEAR CHAIRMAN THOMAS: At the recent hearing before your Subcommittee re: the location of NASA's Electronics Research Center at Kendall Square, Cambridge, you expressed understandable concern about prolonged litigation.

I am enclosing a copy of a letter dated April 23, 1965, from Lewis H. Weinstein of the law firm, Foley, Hoag & Eliot, counsel to the Cambridge Redevelopment Authority, with respect to the minimal risks of any possible legal action. Attorney Weinstein has a national reputation as a specialist in this expanding branch of the law.

You will note that our erudite and competent city solicitor, Richard Gerould, concurs in the expressed views.

It is good to be of service to you and your Committee in this matter.

Cordially,

EDWARD A. CRANE, *Mayor.*

FOLEY, HOAG & ELIOT,
*Boston, Mass., April 23, 1965.*

Mayor EDWARD A. CRANE,
*City Manager John J. Curry* and
*Mr. Thomas J. Murphy,*
*Chairman, Cambridge Redevelopment Authority, Cambridge, Mass.*

GENTLEMEN: You have asked our comments and those of Richard D. Gerould, city solicitor, on the statement reportedly made at a congressional committee hearing by an opponent of the proposed urban renewal project in the Kendall Square Industrial Area substantially to the following effect: "We can tie up this project for 10 years and we have unlimited resources to accomplish this."

We have no way of knowing what litigation, if any, the opponent had in mind, but it is our view that no litigation, no matter how ill-founded, could possibly tie up the proposed project for 10 years or for any substantial period.

In Massachusetts, the law has become firmly established that, in the absence of specific allegations of fact showing specific acts of corruption, fraud, arbitrary or capricious conduct or bad faith, the courts will not review the determinations made by the public bodies to whom the legislature has delegated responsibility in connection with urban renewal projects, namely, the redevelopment authority, the city council, the city manager, the city planning board and the Division of Urban Renewal of the Massachusetts Department of Commerce and Development. Such determinations include those relating to the character of the area, i.e., whether it is substandard or decadent, the boundaries of the project and the proposed reuse of the land after it has been acquired and cleared. A whole series of decisions of the Massachusetts Supreme Judicial Court has firmly established these propositions. For example, in *Worcester Knitting Realty Co.* v. *Worcester Housing Authority*, 335 Mass. 19, the plaintiff specifically charged the Worcester Housing Authority with being "arbitrary, capricious and unreasonable and * * * not * * * in good faith" in its determination that the project area was a "substandard decadent area", and in support of this charge set forth eight specific allegations regarding the project area involved. The plaintiff also alleged that "the real and primary purpose of the development is to change the character of uses of a large area of land and substitute for the commercial enterprises thereon other commercial enterprises selected by the defendant, Worcester Housing Authority." Yet the Supreme Judicial Court of the Commonwealth, unanimously affirmed the sustaining of a demurrer and the dismissal of the suit in the Superior Court and said:

"The summary assertions of bad faith and arbitrary and capricious action add nothing to the bill * * *. The determination of the boundaries of the [project] area is for the administrative agencies and may not be retried in the courts." (335 Mass. at 22)

Even if opponents should allege that specific property is standard and not decadent, our courts have indicated, as has also the U.S. Supreme Court, that it is the area as a whole which has to be considered and not the condition of specific buildings. As the U.S. Supreme Court said in *Berman* v. *Parker*, 348 U.S. 26:

"Property may of course be taken for this redevelopment which, standing by itself is innocuous and unoffending. But * * * it is the need of the area as a whole which Congress and its agencies are evaluating. If owner after owner were premitted to resist these redevelopment programs on the ground that his particular property was not being used against the public interest, integrated plans for redevelopment would suffer greatly. The argument pressed on us is, indeed, a plea to substitute the landowner's standard of the public need for the standard prescribed by Congress. But * * * community redevelopment programs need not * * * be on a piecemeal basis—lot by lot, building by building.

"It is not for the courts to oversee the choice of the boundary line nor to sit in review on the size of a particular project area. Once the question of the public purpose has been decided, the amount and character of land to be taken for the project and the need for a particular tract to complete the integrated plan rests in the discretion of the legislative branch."

The Massachusetts Supreme Judicial Court has come to similar conclusions in several cases, including the *Worcester Knitting Realty Co.* case just cited. Our

court has repeatedly recognized that the primary objective of urban renewal activity is to clear blighted conditions, and that the sale of the land after clearance is incidental to that basic public purpose. In *Papadinis* v. *Somerville*, 331, Mass. 627, our highest court said:

"Once the public purpose contemplated by the statute has been achieved the authority is not obliged to retain the cleared land as unproductive property."

No one can ordinarily prevent any person from commencing litigation (even when obviously premature) just as a group of firms did in the recent case in which the Supreme Judicial Court affirmed the action of the Superior Court in sustaining a demurrer by the Redevelopment Authority and the agencies of the city and commonwealth. *Electronics Corp. of America, et al.* v. *City Council of Cambridge, et al.*, Mass. Adv. Sh. (1965) 323. However, any such litigation could be disposed of reasonably promply; and, in the usual situation, such litigation should be able to be terminated within a matter of months—and certainly no more than a year. Unless the petitioners should make specific allegations of specific acts of corruption, fraud, or arbitrary or capricious conduct or bad faith, as distinguished from general conclusionary statements, the courts would not allow any trial on the merits, and the matter could summarily be disposed of in prompt hearings by our courts. Of course, we know of no facts which would support any such allegation, just as we do not know what allegations any objector might possibly develop as his supposed grounds for relief.

Even if the objectors allege that the purpose of the project is to develop a site for National Aeronautics and Space Administration, and not to clear a decadent area, we are of the opinion that our courts would take the same position as they did in the *Papadinis* and *Worcester Knitting Realty Co.* cases.

Since the redevelopment authority will ultimately have to dispose of the cleared land, there is, in our view, no objection to the authority's considering—even during the early planning process—the ultimate reuse of the land, the prospective purchasers and the terms of purchase. Thereafter, after complying with appropriate requirements, including the obtaining of requisite approvals, the Authority and the developer may enter into a binding land disposition agreement.

Our courts will also not look into motives of public officials as distinguished from the purpose of an urban renewal project. The Supreme Judicial Court made this clear in the case of *Despatchers' Cafe Inc.* v. *Somerville Housing Authority*, 332, Mass. 259, 263–64, in these words:

"Apparently the plaintiffs expect to show by oral evidence that the authority's motives are not what they purport to be. Presumably they intend to put the members of the authority on the stand and to cross-examine them as to their motives. If the plaintiffs can do that in this case, any person whose land is about to be taken for a public purpose can do the same. If land is about to be taken for a schoolhouse, the owner can bring suit claiming that the motive of the authorities for the proposed taking is not really that a schoolhouse is needed, but is to improve the appearance of the street, to advertise the community, to give jobs to contractors and workmen, to make themselves popular with the parents of the children, or is whatever other motive ingenuity and the plausibilities of the situation may suggest. To permit this would be seriously to hamper public officers in the performance of duties necessary to the public welfare. It is perhaps possible to imagine a case where the authorities ostensibly taking land for a schoolhouse have not intention of building any schoolhouse at all but are really taking the land to let it lie open for the benefit of adjoining land owned by themselves or for some other irrelevant purpose. See *Sellors* v. *Concord*, 329 Mass. 259, 262. It will be time enough to deal with such a case when it arises. There is nothing of that kind here. There is no allegation that the defendants do not intend to carry out the project for which the land is to be taken * * *.

"In our opinion such as bill as this, attacking merely the impelling motives of officers authorized to exercise the power of eminent domain and actually excercising that power for authorized purposes, cannot be maintained."

To conclude, we believe that our Massachusetts courts should dispose promptly of any litigation brought in those courts, and we know of no valid basis for Federal court jurisdiction.

Moreover, in the absence of any injunction (and we know of no facts on the basis of which any injunction should issue), any project could proceed during the pendency of litigation, and litigation should therefore occasion no delay.

Mr. Gerould has authorized us to say that he concurs in these views.

Sincerely yours,

LEWIS H. WEINSTEIN.

TUESDAY, APRIL 13, 1965.

## NASA ELECTRONICS RESEARCH CENTER

### WITNESS

### DR. JOHN J. BRENNAN, JR., CHAIRMAN, COMMITTEE FOR THE PRESERVATION OF CAMBRIDGE INDUSTRY

Mr. JONAS. The committee is pleased to have with it today Dr. John J. Brennan, Jr., chairman of the Committee for the Preservation of Cambridge Industry.

Are you an M.D.?

Dr. BRENNAN. No. My doctor's degree is from the Harvard Business School.

Mr. JONAS. Tell us a little bit about yourself. You tell us your degree is in business administration.

Dr. BRENNAN. Yes. Briefly my background is I have my undergraduate degree in business from Boston College, a degree in industrial administration from Harvard Business School, and a degree of doctor of commercial science from Harvard Business School.

Mr. JONAS. Do you live in Cambridge?

Dr. BRENNAN. I live in Lexington.

Mr. JONAS. Are you familiar with the situation in Cambridge?

Dr. BRENNAN. I am executive vice president of the Electronics Corp. of America, which is one of the 94 companies involved.

Mr. JONAS. The committee you represent is one that was organized, as I understand it, by the business enterprises that are involved and you were named chairman?

Dr. BRENNAN. That is right.

Mr. JONAS. And this is a nonprofit organization but you are seeking to preserve your status in the community as industrialists and business establishments?

Dr. BRENNAN. Absolutely.

Mr. JONAS. And you oppose, as I understand it, the location of the Electronics Research Center at that particular site?

Dr. BRENNAN. Exactly.

Mr. JONAS. Do you have a prepared statement, Dr. Brennan?

Dr. BRENNAN. Yes. I sent a prepared statement to each member of the committee.

Mr. JONAS. We will put it in the record and with the assumption it is in the record you go ahead and just talk to us in your own way and tell us something about the problems as visualized by the enterprises that are involved. I might say we have heard this morning from the mayor of Cambridge and the head of the Redevelopment Authority for Cambridge. So we now want to hear you and we want to give you an opportunity to say your piece before the committee.

Dr. BRENNAN. Thank you very much. I sincerely appreciate the opportunity of meeting with the committee. I think it is a wonderful opportunity.

(The following statement was submitted for the record:)

COMMITTEE FOR THE PRESERVATION OF CAMBRIDGE INDUSTRY,
*Cambridge, Mass., March 29, 1965.*

Hon. ALBERT THOMAS,
*Chairman, Independent Offices Subcommittee,*
*House Committee on Appropriations,*
*House of Representatives, Washington, D.C.*

SIR: Reference is made to my letter of January 6, 1965, copy of which is enclosed, the purpose of which was to bring to your official attention, as a member of the House Appropriations Committee, the controversy regarding the proposed NASA site in the Kendall Square area of Cambridge, Mass., and the exorbitant and unnecessary cost of this project.

There is an attempt on the part of the Cambridge City Council, in concert with NASA, to deliver up to NASA, properties that are owned neither by the city of Cambridge nor by NASA; in the light of this dilemma, the Cambridge City Council has attempted to look to the urban renewal program to see whether that agency can acquire title to the properties involved for ultimate deliverance to NASA. Urban renewal has been unable to provide evidence to substantiate that the project qualifies as an urban renewal project which finding is necessary if Urban Renewal is ever going to be able to acquire title to these properties. The Committee for the Preservation of Cambridge Industry, representing the 94 companies involved in this controversy, has already undertaken certain legal actions and it is the avowed intention of the group to initiate further legal steps in the State and Federal courts at the appropriate time; we fully intend to take whatever extensive time period is required for these legal steps to insure that this misuse of the urban renewal program will not be permitted to take place.

It is the contention of the 94 companies in the Kendall Square area that this industrial area does not at all qualify under urban renewal regulations, but rather is a thriving, long-established industrial area. In this connection, I, on behalf of the Committee for the Preservation of Cambridge Industry, representing the 94 companies involved, would like to extend to you and your committee a cordial invitation to visit the area in question to determine firsthand whether the area is ramshackle, rundown, and decadent, which it must be in order to qualify for urban renewal, or whether it is as I have described—a thriving industrial area. I have enclosed a book of pictures which shows, straightforward, the buildings housing the 94 companies, together with some selected pictures of the equipment within these plants.

Further, I have enclosed for your perusal an extensive analysis pointing up what, in our judgment, are the pertinent facts involved with regard to the proposed Kendall Square NASA site.

As chairman of the Committee for the Preservation of Cambridge Industry, I would be happy to meet with your committee on this matter if you deem it appropriate to provide you with whatever additional information you may desire, beyond that transmitted with this letter.

Respectfully,

JOHN J. BRENNAN, Jr.,
*Chairman, Committee for the Preservation of Cambridge Industry.*

COMMITTEE FOR THE PRESERVATION OF CAMBRIDGE INDUSTRY,
*Cambridge, Mass., January 6, 1965.*

Hon. ALBERT THOMAS,
*Cannon House Office Building,*
*House of Representatives,*
*Washington, D.C.*

SIR: The purpose of this letter is to bring to your official attention, as a member of the House Appropriations Committee, the controversy regarding the proposed NASA site in the Kendall Square area of Cambridge, Mass., and the exorbitant and unnecessary cost of this project.

There is an attempt being made on the part of the Cambridge city government, in concert with NASA, to deliver up to NASA a 29-acre site in the Kendall Square area. The governmental vehicle being used to acquire this parcel of land is the urban renewal program. In vivid contrast to practically all, if not all, urban renewal cases, this area is populated by 94 thriving business concerns, with not more than one-half dozen dwellings on the entire proposed site.

While we feel that NASA represents progress and is basically a good thing for our defense program, and indeed, our economy, we, the Committee for the Preservation of Cambridge Industry, representing the 94 companies affected, believe it is readily apparent that if NASA should be successful in locating in the Kendall Square area of Cambridge, it would result in the senseless destruction of these thriving, long-established concerns and would in a very real sense completely negate the advantages which could otherwise accrue from the projected new NASA site.

To you, as a member of the House Appropriations Committee, we want to stress that the cost of the land taking and all related costs for this proposed project will be between $40 to $50 million, or more, in contrast to the present Government appropriation of approximately $15 million, as originally projected by its proponents. This cost should be contrasted with the negligible cost of land taking should currently available Government-owned sites, such as the Watertown Arsenal, already scheduled for phaseout, be utilized for this project.

We respectfully suggest for your consideration that in the interest of keeping the required Government appropriations to a realistic minimum, and at the same time maximizing the advantages of NASA to the community and, indeed, to the country, the Government can save $30 million or more by utilizing an existing location for NASA such as the Watertown Arsenal.

These 94 companies affected, with widely diversified product structures, represent a combined annual sales volume in excess of $75 million, plants valued at approximately $20 million, and equipment an additional $20 million. Perhaps even more important, these firms represent nearly 4,000 employees with an annual payroll of $18 million. The senseless destruction of these firms would indeed aggravate the unemployment situation, because these jobs cannot at all be replaced in kind by NASA, who will require, in the main, professional and technically trained personnel. Further, NASA will offer only a maximum of 2,100 jobs and the buildup of those jobs will be extended over a 5-year period.

Finally, it is estimated that it would cost approximately $9 million to relocate the 94 firms. Yet the urban renewal regulations provide a totally inappropriate and inadequate maximum allowance of $25,000 to any one firm.

We are taking every proper course of action, legal and otherwise, to stop this senseless destruction. We do not believe that the overall transactions will bear judicial scrutiny.

In terms of the serious financial and other implications of this project, we respectfully request, if you are in concurrence with the analysis spelled out above, that you take the appropriate action, through your committee, to have the NASA site located in some governmentally owned location, thereby saving at least $30 million for the Government.

If you wish additional information, I would be pleased to provide whatever data we may have. In addition, I would be pleased to meet with any or all of you to discuss this matter further.

Thank you for your consideration in this matter.

Respectfully,

JOHN J. BRENNAN, JR.,
*Chairman, Committee for the Preservation of Cambridge Industry.*

Dr. BRENNAN. Back in September of 1964 the 94 companies that are involved in the proposed NASA site at Kendall Square grouped together in order to provide all possible opposition in proper and legal scope to see if there was not some way to have this electronics research center, located in some other area than Kendall Square.

Basically the committee, of which I am the chairman, was selected from the 94 companies and is composed of businessmen. The role in which we are involved is something new and foreign to us. However, I mention we are businessmen because before we started our opposition we looked very carefully in the problem to see what the validity was, what were the arguments, for putting the center in Kendall Square as against the arguments against putting the center in Kendall Square.

The more we looked into it the more we were convinced we could not find an argument that would stand logical scrutiny for putting the

center in Kendall Square, and we kept pursuing what was behind all of this. Finally we hit upon an answer. Within this framework I would like to read to you just 4 pages from this analysis and then I will leave this and will not subject you to 30 pages of reading, since you have the copy, but I would like to read this analysis which basically has been substantiated by all parties concerned, and I think the recitation will speak for itself.

In the spring of 1964, many communities throughout the country, including the city of Cambridge, were seeking an opportunity to have the proposed NASA site located in their area. A committee of three Cambridge city councilors were appointed from its group of nine members to investigate possible sites in Cambridge which could be proposed to NASA as possible locations for its proposed electronics research center.

It is our understanding that the mayor of Cambridge called a meeting of the Cambridge City Council, and upon the arrival of the councilors at the meeting, Mr. James R. Killian, Jr., chairman of the board of Massachusetts Institute of Technology, who was present at the invitation of the mayor, presented his program for having the proposed NASA site located in the Kendall Square area.

Following the meeting, the Cambridge City Council members, and possibly others, looked into the proposition of Mr. Killian and reported back to him that the 14 acres (now designated for private development) could probably be delivered up to NASA. It is our understanding that Mr. Killian indicated that he wanted the entire 43 acres to be included in the package, not merely the 14 acres, and the Cambridge City Council yielded to his request.

In early summer 1964, the Cambridge City Council formalized such a resolution by requesting the Cambridge Redevelopment Authority to prepare an application for an advance of Federal funds for surveys and plans in connection with the urban renewal project for the Kendall Square industrial area.

I might digress for one moment. Undoubtedly from the prior testimony you realize there were two packages involved here. One is an area of 29 acres which is the area that has been proposed to be set aside for the NASA Electronics Research Center, and across the street, if you will, is an additional 14 acres which is to be used for a private redevelopment.

At this point, it would be well to consider what proper interest, if any, and what proper influence, if any, Mr. Killian, representing MIT, should try to exert and why he, representing MIT, should have such a strong interest in diverting the NASA site to a very specific point in Cambridge, namely Kendall Square. As the details have unfolded, it becomes evident why Mr. Killian, representing MIT, has tried to assert pressure in key quarters to have the NASA site in Kendall Square and thereby achieve the self-seeking interest of Killian and MIT.

The reason for highlighting and stressing this matter is that there are a variety of evidences pointing to the fact that Mr. Killian, representing MIT, has become instrumental as a, and possibly the, dominant factor in having the NASA site proposed for Kendall Square, and it appears that the site ground rules subsequently announced by NASA could only have been formulated with this specific site in mind, this predetermined location.

How could an objective search for the site possibly be conducted when NASA announced that the site must be no more than 10 minutes' walking distance from MIT? There is every reason to believe, therefore, that the proposed NASA site was not selected objectively by NASA officials. It is precisely for this reason that we have been unable to find a logical argument for the proposed Kendall Square location—and indeed, in our judgment, there is none. It is precisely for this fact that the proponents of the site, as we shall point out, are unsuccessful in conjuring any arguments that will bear logical scrutiny.

1. It is our understanding that Mr. Killian was directly responsible for having the ground rule established that the proposed NASA site should be located not more than 10 minutes' walking distance from the MIT campus. In this way, with utter disregard for the 94 companies involved, MIT, in essence, would have its campus expanded by 29 acres by having the NASA site contiguous to the MIT campus. It is inconceivable that any other claimant agency, except MIT which stands to gain from the proposal, could possibly have concocted such a senseless, illogical, and untenable yardstick.

2. It is our understanding that Technology Square, which consists of office buildings and which is also contiguous to Kendall Square, is jointly owned by Cabot, Cabot & Forbes, a real estate development firm, and MIT. The percentage of occupancy in these buildings was very low from inception until NASA, on the assumption that it would be located at Kendall Square, took over several floors of office space in these buildings.

3. It is our understanding that a trust for a private real estate redevelopment was founded by Cabot, Cabot & Forbes and presumably with MIT having an implied or even expressed interest in the trust. The name of the trust is Wilmington and this has been verified by Mr. Killian. It is understood that this development trust may very well have the opportunity to develop privately that section of the 14 acres set aside for private development.

4. The intention of Mr. Killian, as representative of MIT, may be further clarified by indicating that there has been seen in his office building at MIT a scale model which shows the MIT campus and related complex as not only covering the 43 acres involved, but also extending to Cambridge Parkway and Memorial Drive, which areas are well beyond the present acreage under discusion.

5. Mr. Killian, especially in the early stages of the opposition by our committee, talked to certain key companies in the area in an unsuccessful attempt to convince them to withdraw their opposition and represented that these companies in turn could possibly be advantageously located in the 14-acre private development section, or even outside the area.

6. The November 23, 1964, issue of U.S. News & World Report (pp. 84–86) featured an article which highlighted the fact that NASA should not be located at Kendall Square, when the Watertown Arsenal was such an ideal solution from every angle. Mr. Killian, in denying the so-called conspiracy between NASA and MIT, stated in the article that Mr. James Webb of NASA did confer with Mr. Killian "to make sure that MIT had no objections to NASA locating here."

Why Mr. Webb should single out Mr. Killian to seek his concurrence on the location becomes pretty obvious, but why did not Mr. Webb feel impelled to seek out the concurrence of the 94 companies, because it is they who have a stake in the area under discussion, and Mr. Killian has absolutely no right or take in the area.

7. It may be of passing interest that one of the members of the Cambridge City Council is a professor at MIT.

Mr. JONAS. May I interrupt you there?

Dr. BRENNAN. Yes.

Mr. JONAS. I take the privilege of interrupting because we have this statement in the record and we all have access to it.

It was testified this morning by witnesses that this area embraced within the 29 acres is really a dilapidated area, that it is subject to urban redevelopment, and while it is perhaps not a slum area, the buildings are small and it is not an attractive area, and the city council, as early as 1950, had proposed to have it subjected to a redevelopment program. We would like for you to talk to us on that subject.

Dr. BRENNAN. Fine. I will be happy to.

Mr. JONAS. It was also indicated that there has been no pronounced objection on the part of workers in the area to being moved, and it was intimated that in truth and in fact your so-called committee has gotten to the point it is about a 1-man committee, and that you do not speak for all the 94 companies. I think I have the right to tell you that because it will be in the printed record.

Dr. BRENNAN. That is perfectly fine because these are precisely the points the mayor of Cambridge has brought up before and that I have made response to.

Mr. JONAS. I think we would all agreed this proposed site would be of advantage to MIT.

Dr. BRENNAN. If you will agree to that I will put that aside.

Now, in regard to my being a 1-man committee, it was decided at the beginning that since this presumably would go beyond the local level and probably get involved in the national level and get involved in a great deal of press and television coverage, that we should have 1 spokesman for the 94 companies rather than have a variety of stories coming from a variety of people. In this way, having one spokesman, we would have a unified story, constantly being checked with the committee and at regular meetings having the concurrence of all the companies. This we have done. From the first I have been spokesman for the committee, which in turn represents the 94 companies. The 94 companies selected the committee, the committee selected me, and in turn we had this ratified by the 94 companies. I think the proof of the pudding is that all of the companies have donated, if that is the proper word, to a very, very, very substantial fund that we have and the purpose of this fund is to pursue every legal means and every proper known means to the *n*th degree to make sure this travesty of justice does not happen. We have already gone through the Massachusetts Superior Court and the Massachusetts Supreme Judicial Court and the only thing they have mentioned is our claim is premature, but if it ever comes to a vote at the Cambridge City Council we can bring it back to the court and they will consider the merits of the case.

The fund we have is massive, it is substantial, and will take care of the needs 10 times over, and if these companies were not behind me we would not have this huge fund they voluntarily contributed to.

What they do not understand is that, whether it is good organization or not, we have simply decided we will have just one spokesman so that the story is unified.

Mr. JONAS. You would say to this committee, then, that your committee is quite active?

Dr. BRENNAN. Yes. One company has moved. It is one of the smaller companies and we said they should take their contribution to the fund out and they said, "No, we are still behind it."

That is my answer to the point whether this is a one-man opposition or not. In truth—and I will say this so that it will not be misunderstood—the Electronics Corp. of America is not the worst offended. I happen to be the spokesman for the committee representing 94 companies and it is one of those companies.

Mr. JONAS. What can you tell us about the cost of relocation?

Dr. BRENNAN. Can I stay with the points you brought up, if you do not mind?

Mr. JONAS. Certainly.

Dr. BRENNAN. You mentioned this matter of the one-man committee. You mentioned one other point.

Mr. JONAS. I think the point was made that there was no real opposition among the workers in the area.

Dr. BRENNAN. Yes. We have in our files—this has not been disclosed—3,500 signatures of every employee in the area. This has not been made public. At the appointed time, if it ever gets to the point where the Cambridge City Council votes on this, they will be confronted with maybe 10,000 people, because there are 3,500 employees, but together with their families they number about 10,000, and these people will storm city hall. Mayor Crane does not know this.

Mr. JONAS. You say there is tremendous opposition among the workers in the area?

Dr. BRENNAN. Tremendous opposition.

Mr. JONAS. In addition to unanimous opposition on the part of the owners of the property?

Dr. BRENNAN. Absolutely. Let me give you a brief picture of what these 94 companies are like. Their annual sales volume is in excess of $75 million. The value of the plants is $20 million, and the value of equipment is $20 million. Some of these plants have already been seen by members of the Science and Astronautics Committee who visited Cambridge some weeks ago. There are 3,500 employees and an annual payroll of $18 million.

Two companies are over 100 years old; 2 companies are over 75 years old; 3 companies are 65 years old; 2 companies are 55 years old; 6 companies are 40 to 50 years old; 14 companies are 30 to 40 years old; 12 companies are 20 to 30 years old; and 8 companies are 10 to 20 years old. We, the Electronics Corp. of America, are 29 years old.

What products are represented by these companies? Here are some of them: Petroleum and chemical products, vapor compression distillation equipment, plasticizers, shoes, industrial adhesives, rubber coatings, textiles, athletic equipment, refrigeration equipment, asbestos,

paper products, dental equipment, electronic controls, heating and air-conditioning controls, plumbing and heating supplies, printing ink and rollers, precision electrical instruments, detergents for laundry and drycleaning, paint and building products. These are just a part of them.

Mr. JONAS. Suppose they move to a suitable location elsewhere, would there not be a real prospect they could continue operating? The point has been made it would be better for them to be in a more suitable location.

Dr. BRENNAN. This point is invalid for this reason: First of all, there are statistics which show that in urban renewal projects somewhere between 20 and 40 percent of the companies go out of business. I have not verified the figure but evidently it has come up from several sources and I would like to think we will not fly in the face of statistics and be the exception that proves the rule, if you will.

Furthermore, we feel it is absolutely against inalienable property rights to attempt to put NASA on a site where there are 94 operating companies when there must be other available sites. We mention one: The Watertown Arsenal, which is 10 minutes driving time from MIT, and which would eliminate this problem. The Watertown area has 60 acres or more and the Government already owns the area. It has been officially phased out by the Department of Defense, and it is 10 minutes' driving distance from MIT if MIT is a significant factor, and I do not deny they may provide educational opportunities.

It is our estimate that in order to move these industries it would cost collectively for the 94 companies approximately $9 million, and urban renewal regulations allow a maximum of $25,000 to move and relocate. One company involved is a multimillion-dollar chemical processor. How you could start to move a multimillion-dollar chemical processor for $25,000 is beyond me. Another company is the largest steel tubing warehouse in New England. It has 30 cranes 90 feet high and an inventory of $3 million. How do you move this for $25,000?

In our own case—and I am deliberately minimizing my own company because I do not want it to appear I am making a pitch for it—we have 50 to 60 pieces of very heavy equipment sunk 4 feet in concrete, and how we can move that for $25,000 escapes me.

Mr. JONAS. The mayor said the city of Cambridge would pay the cost.

Dr. BRENNAN. The city of Cambridge has said, to quote, that "no company would lose a $10 bill in the move." Yet they have been trying to find a way to get this $25,000 limitation changed and they have been unsuccessful. It is a platitude the mayor is reciting. He has been completely unsuccessful and, if I may offer a suggestion, he will have to be unsuccessful. How will the city of Cambridge come up with $9 million to provide the relocation cost?

Mr. JONAS. The mayor said the city's cost would be several million.

Dr. BRENNAN. There is a bill of approximately $9 million that would be required.

Let me make this proposal: The best way I know for you to determine whether these plants are ramshackle and rundown and dilapidated is for you to see them firsthand. I would be delighted to have any segment of the committee or the entire committee go through the

area at your leisure and see what you want to see as did the Science and Astronautics Committee, so you can see firsthand and make your own independent judgment whether these buildings are ramshackle and rundown or whether this is really a thriving industrial area. It does not look like Park Avenue, but it is a very profitable industrial area and it is the only industrial area in Cambridge providing a very substantial tax base. In truth it is the only industrial area in the Boston-Cambridge complex now because the Boston-Cambridge complex has been broken up by urban renewal. This is the only significant industrial area in the Boston-Cambridge complex.

Mr. JONAS. This money you say was raised, I presume that is to study legal proceedings and tests in court and is not for slush fund purposes?

Dr. BRENNAN. No. The purpose of the fund primarily is, if by chance the city council should be given the opportunity to vote on this, to immediately start proceedings in the Massachusetts Superior Court, Massachusetts Supreme Judicial Court, and up to the U.S. Supreme Court.

Mr. JONAS. You mean the council has not acted on it?

Dr. BRENNAN. No. The area has not yet been determined as an urban renewal area and they are going through some vague preliminary studies to see whether or not it qualifies for urban renewal, and I realize full well these legal actions will take interminable time and we are prepared to spend years on it because in our judgment we are absolutely right and we will fight it to the ultimate.

Mr. JONAS. Are there any other sites in the surrounding area that you think would be available other than Watertown?

Dr. BRENNAN. The one that seems theoretically suitable is the Watertown area. The proponents of the site in Kendall Square have estimated the cost at something like $15 million. Our estimate is somewhere between $40 and $50 million. I have been told that is the figure. So that on that basis, if our figures are correct—and I sincerely believe they are more right than wrong—the site will cost two to three times more than is envisioned. Whatever the cost is, the taking over of the Watertown Arsenal for this purpose will cost zero. The Government already owns it. It is immediately available. This NASA site in Kendall Square, they say they hope to begin breaking ground by July 1965. I promise you they will not. But the Watertown Arsenal is sitting there; it is being phased out.

Mr. JONAS. What about transportation to and from the Watertown Arsenal?

Dr. BRENNAN. The MBTA transportation runs far beyond Watertown. We have the subway which runs from Boston essentially to Watertown. Watertown is the next town to Cambridge. It is not a suburb. I live in Lexington. Lexington is a suburb. Watertown is contiguous to Cambridge and I have driven it and it takes me an average of 10 minutes to drive from the Watertown Arsenal to our plant.

Mr. JONAS. What hours of the day?

Dr. BRENNAN. I have driven it at 8:30 in the morning. I have driven it at a faster rate at 11:30 in the morning, but I do not think it is fair to use that time because at that time there is very little traffic.

I have also driven it at 5 o'clock in the evening and it took about 15 minutes.

Mr. JONAS. You say the subway is close by?

Dr. BRENNAN. Yes, and the projected MBTA transportation plan is to extend the subway well beyond Watertown.

Mr. THOMAS. Mr. Jonas, may I interrupt you there?

Dr. Brennan, you made a very good statement. I think we will get both sides of the picture, so let us not detain you any longer. You were nice to come. We were most anxious to have you here and get the benefit of your views because this is a matter the committee is tremendously interested in. Whatever information you want to leave with us we will be glad to have.

Dr. BRENNAN. You have the book and I think it probably provides you with adequate information.

May I thank the committee for the opportunity of meeting with you.

## NASA ELECTRONICS RESEARCH CENTER

### WITNESS

### HON. JOHN W. WYDLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. THOMAS. Gentlemen, we have with us one of our colleagues, the distinguished gentleman from New York, Mr. Wydler. We have business together every day. He is one of the younger Members of the House but he has a fine head and fine character. So, Congressman, we welcome you; we seek your advice, and if you will be kind enough to talk to us and give us the benefit of your good judgment, we will appreciate it.

Mr. WYDLER. Thank you. I am overwhelmed by that introduction and undeserving of it.

If I might spend a few minutes of your time, this is a most unusual situation. I am a member of the authorizing committee, the Science and Astronautics Committee, and we have not as yet authorized this project and we may not authorize it at all. This may never be a problem for you but it may be, so I suppose you will have to presume you may have to pass on this particular matter.

This Electronics Research Center has caused a lot of grief to a lot of people. It was decided last year to build it and to build it in Boston, Mass. At that time we were told that under the criteria by which they were judging areas the site should be within 30 miles of a major educational institution. Now it appears it has to be built immediately adjacent to MIT.

Some people said that was a factor all along in this competition; that from the beginning it had to be built adjacent to MIT and obviously only one place in the world would meet that requirement. That is what the argument for this site comes down to: Why must it be right across the street from MIT? The area being considered here, while old, is not the worst area in Cambridge, Mass., and when I asked why they did not tear down the worst section in Cambridge they said "This is closer to MIT." They did not want to go a few blocks farther away. This, to my mind, is not a sound reason for building it on this particular site.

They have already lost 1 year. They told us last year they would be starting in the spring of this year with construction. Now they say they hope to begin next year. They have already lost 12 months of precious research time if we are to believe this is a necessary center. They have thrown 12 months away fooling around with this site in Kendall Square.

The reason I am so concerned is that I think they will throw away another 12 months and perhaps another 12 months, because this is a first-class mess. To get a site you first have to go through the whole machinery of urban renewal before you can start to build. They tell us this is an important research center that is essential to our national security, yet they are talking about building it on top of an urban renewal area and the only reason they give for building it there is that people can walk across the street to MIT. That, to me, is not good sense.

Just think what Dr. Brennan said. He will start a legal action against this project. That means years. If you carry these legal proceedings to their logical conclusion—and I think they have the wherewithal to do so—it will take years.

Mr. RHODES. Will the gentleman yield?

Mr. WYDLER. Certainly.

Mr. RHODES. I agree it will take years. This is not the usual eminent domain action where you take property by a declaration of taking and worry about the damages later. This is an urban renewal project and there is no such thing as a declaration of taking.

Mr. THOMAS. Off the record.

(Discussion off the record.)

Mr. WYDLER. The point is they could not start tearing down any buildings before they had finished the legal action and this could go on for years and this is what even the authorities admit is a serious problem.

Finally, I would like to say this because I think it is particularly important to the Appropriations Committee: They argue in our committee that it will only cost $3 million and we should not take into consideration the urban renewal cost because it is not an expense of the NASA, but it is an expense of the Federal Government. And I think this committee should take into consideration what the site will cost the U.S. Government. They told us originally the site would be 1,000 acres and cost $3 million. Now they say they will spend the $3 million for 30 acres and still will have to buy another site of 400 acres in the country, and spend $20 to $40 million urban renewal funds to clear the site, and they will destroy about 35 percent of the businesses and jobs that now exist. I think that is a big price to pay to be near MIT.

Dr. Brennan says they have a Watertown site, and they do. I do not want to prejudice where they should put it, but we know they could put it there for nothing. The thing that worries me more is that if the research they will have down there is really important, they should be able to start next month and get away from the business of getting involved in this complicated situation of clearing sites to be near MIT, which to me is secondary.

Mr. THOMAS. We thank our colleague very much. Come back to see us.

Mr. WYDLER. Thank you.

TUESDAY, APRIL 13, 1965.

## HOUSING AND HOME FINANCE AGENCY AND OTHER FUNDS REQUESTED IN INDEPENDENT OFFICES APPROPRIATION BILL

### WITNESSES

**JAMES F. STEINER, MANAGER OF CONSTRUCTION AND COMMUNITY DEVELOPMENT DEPARTMENT, CHAMBER OF COMMERCE OF THE UNITED STATES**
**HARVEY G. HALLENBECK, ASSISTANT MANAGER OF CONSTRUCTION AND COMMUNITY DEVELOPMENT DEPARTMENT**
**HAROLD H. HAIR, GOVERNMENT OPERATIONS AND EXPENDITURES PROGRAM**
**VERNE R. SULLIVAN, ASSISTANT MANAGER, TRANSPORTATION AND COMMUNICATIONS DEPARTMENT**

Mr. BOLAND. The committee is pleased to have before it Mr. James F. Steiner, who is manager of the Construction and Community Development Department of the Chamber of Commerce of the United States. Mr. Steiner is accompanied by Mr. Harvey G. Hallenbeck, assistant manager of the Construction and Community Development Department; Mr. Harold H. Hair, Government Operations and Expenditures Program; and Mr. Verne R. Sullivan, assistant manager, Transportation and Communications Department.

Gentlemen, we are delighted to have you with us again. We understand the chamber makes appearances before other committees, and you are here dealing with the Housing and Home Finance Agency and other funds requested in the independent offices appropriation bill. We will be delighted to hear from you. You may proceed in any way you wish.

Mr. STEINER. Thank you very much.

My name is James F. Steiner. I am manager of the Construction and Community Development Department of the Chamber of Commerce of the United States. I am accompanied by other members of the national chamber staff who will participate with me in answering questions the subcommittee may have about our specific budget recommendations on the President's fiscal 1965 supplemental and fiscal 1966 budget proposals for the independent offices.

The chamber recommends that the administration's budget proposals for the various independent agencies be reduced by at least $1,183,509,000. Of this figure, $208,509,000 relates to appropriations requests now before your subcommittee. The remaining $975 million relates to budget proposals of the Housing and Home Finance Agency requiring authorizing legislation which the national chamber opposes. All are presented to you in order to indicate the scope of the chamber's recommendations. Three budget requests totaling $536,687,000 are specifically supported.

Mr. GIAIMO. Will the gentleman yield?

What is the total recommended by the chamber in regard to the whole budget?

Mr. HAIR. It is slightly under $5.8 billion.

Mr. GIAIMO. Thank you.

Mr. STEINER. With regard to the President's overall budget proposals, we wish to point out that 17 national chamber committees—composed of approximately 600 businessmen—reviewed the 1966 budget. On February 26, our board of directors recommended, as a beginning, that the Congress reduce the administration's budgetary proposals for fiscal years 1965 and 1966 by a minimum of $5.8 billion. As members of the House Committee on Appropriations, you have received a summary of these recommendations.

While it is not my intention to speak in detail about our recommended budget reductions, I do want to bring to the attention of the subcommittee some of the important forces and factors which shaped the national chamber's recommendations.

Over recent decades, operations of the Federal Government have come to take a larger and larger place in our Nation's economy. Prior to the 1930's Federal Government payments were an almost insignificant percent of our country's gross national product. Toward the end of the decade of the thirties, they were about 10 percent of GNP. According to the most recent budget of the U.S. Government, page 6, by 1950 Federal payments had grown to the level of 16 percent of GNP—and by 1965, to an estimated 19 percent.

This growth of the Federal Government involvement in the economy has brought a substantial magification of the effects which Federal taxing and spending decisions have on the rest of the economy. While this fact is, of course, now widely recognized in the case of Federal taxes, it does not seem yet to be so generally understood in the case of Federal expenditures.

The reasoning behind recent changes in the Federal income tax was not confined to general purposes of the tax, but included thorough analyses of both the direct effects which amendments would have on the total revenues to be raised, and also the indirect effects which changes in schedules would have on spending and on job-creating investment, and therefore on the Nation's economic growth.

But in the substantive Federal programs, which generate appropriation requests, the effects of Federal decisions seem to be less widely understood.

Programs administered by the Housing and Home Finance Agency illustrate this point. Requests for both appropriations and authorizations in this area of Federal Government activity frequently stress the purposes which it is hoped the programs will serve, but are woefully deficient in evidence of both direct and indirect effects of the programs.

The Agency's Federal urban renewal and public housing subsidy programs are excellent cases in point. For instance, the urban renewal program claims the good purpose (among others) of "* * * the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family * * *." And the public housing program has a purpose of remedying "* * * the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in urban and rural nonfarm areas, that are injurious to the health, safety, and morals of the citizens of the Nation."

Requests for authorizations and appropriations commonly stress these high purposes, sketch out the proposed spending plans, and give

some statistics internal to the projects and programs—but fail to show the actual effects, direct and indirect, on the economy at large. And even the internal statistics on growth of a Federal program show no more of its actual effectiveness in our Nation's economy and society than might a person's record of increases in height since childhood indicate his capacity in his relations with the rest of mankind.

The national chamber has investigated the effects of the Federal urban renewal and public housing subsidy programs, and has found that the stated good purposes of the programs (like the good intentions in the old adage) can become paving stones on an undesirable path.

The national chamber' thorough study of the facts for each and every community in the Nation which received urban renewal or public housing subsidies (as of the June 30, 1962, study date) showed that—

The Federal money was flowing in the wrong direction—toward the communities where incomes were high and housing good, while the poorer localities tended to get little or nothing.

The adverse flow of subsidies coupled with general taxation produces a "Robin Hood in reverse" effect—taking from the poor to give the rich.

Federal administrative costs were taking 13 percent off the top of the total funds involved—with only the remainder going for the local subsidies and local costs of actually administering the projects.

The programs had no discernible net effect toward housing improvement—with housing conditions getting better just as rapidly in localities not subsidized as in those which were subsidized.

These are direct effects which the Agency has either been unaware of or has chosen not to make public—but which are pertinent in the extreme to informed opinion and decisions on the wisdom of these expenditures. Indirect effects are also very important.

One of these is the grab-bag effect. When subsidy funds are made available, as in these programs, on a first-come, first-served basis (rather than for all on a formula basis, equitably related to the magnitudes of problems), people are given an incentive to hurry up and try to get their "fair share." [1]

In fact, the national chamber's study estimated that the actual performance of these inequitable programs had been such that it would take $100 billion to really provide "fair shares" for all (comparable to the shares of some of the already favored communities). Such a spending program, in the foreseeable future, would be totally unrealistic. Of course, for subsidy programs of such magnitude, taxes would have to be raised enormously, and the communities (like the buyers of the carnival grab bags who find the contents, because of the operator's take, worth less than the price) would wind up generally getting their own money back, less the Federal handling charges.

A second indirect effect is that on community initiative. Manifestly, if Federal Government money is presumed to be available to

[1] Additional important facts are contained in the national chamber study, "The Impact of Federal Urban Renewal and Public Housing Subsidies," copies of which are made available to this committee.

clean up a local slum, there will be decreased willingness to get out and do the job locally.

A third indirect effect is that on the incentive of people to improve their condition through a personal investment of time and effort. If Government takes care of their housing (rather than to attack the root causes of their poor living conditions, such as lack of job skills) then the disincentive effects of the dole-type pattern—so recently publicized with respect to some of the unfortunate peoples of Appalachia—will be generated.

A fourth indirect effect is on the willingness of people to pay taxes to support their governments. In our study of the impact of Federal urban renewal and public housing subsidies we found that (on a State-by-State comparison basis) those who received the larger subsidies tended to tax themselves less heavily. Should a "let George do it" feeling become widespread, decreases in willingness to support State and local expenditures could be anticipated—and this decrease in willingness to support those functions could well transform itself into a general reluctance to pay taxes. Programs which tend to break down our pattern of political self-government should be carefully avoided.

This list of effects is not meant to be exhaustive, but rather to indicate some of the cautions which might be advisable in an era when Federal decisions (with Federal payments approximating 19 percent of gross national product) can have such far-reaching impact. They represent a few considerations of the type which could be constructive in reviewing appropriations requests.

Our specific recommendations for budget cuts for the independent offices are shown on the following pages.

My colleagues and I will be happy to answer questions, either on the HHFA, or on any of the other recommendations.

(The following was submitted for the record.)

INDEPENDENT OFFICES APPROPRIATIONS RECOMMENDATIONS OF THE CHAMBER OF COMMERCE OF THE UNITED STATES

EXECUTIVE OFFICE OF THE PRESIDENT

*National Aeronautics and Space Council*

Budget request ..... $525,000
Support recommended .....

Work of the Council, which is responsible for assisting and advising the President on policies, plans, and programs of the United States in aeronautical and space activities, must be continued if there is to be effective coordination between programs of NASA, the Department of Defense, and other agencies engaged in aeronautical and space programs. The requested appropriation is the same as that requested for fiscal year 1964.

*Office of Science and Technology*

Budget request ..... $1,162,000
Support recommended .....

An increase of $185,000 is requested for fiscal year 1966 over the current year. The national chamber supported establishment of the Office, under Reorganization Plan No. 2 of 1962, as being the most effective means of coordinating the study of Government needs in science and technology. Increased activity in the field of oceanography and added responsibility for coordination of Federal patent policy by the Federal Council on Science and Technology, which receives staff support from the Office, justify the increase.

FEDERAL POWER COMMISSION

*Salaries and expenses*

Budget requests ..... $13,539,000
Recommended reduction ..... 350,000

The FPC has had significant personnel increases annually since fiscal year 1961 when it had 851 employees. Currently FPC has 1,152. In view of the stable workload and completion of a major project, the addition of 36 more employees is not warranted.

GENERAL SERVICES ADMINISTRATION

*Construction, public building projects*

Budget request (1965) ..... $4,506,000
Recommended reduction ..... 4,506,000
Budget requests ..... 183,751,000
Recommended reduction ..... 30,584,000

The entire supplemental requested for 1965 should be denied in that it is obviously a shift from the 1966 budget. The reduction for 1966 is based on the repeated criticism of GSA for not fully exploring private and governmental facilities prior to the construction of new ones. The reduction would still permit a high level of public building construction but would force GSA to put more effort into locating facilities already in existence to house Federal agencies.

HOUSING AND HOME FINANCE AGENCY

*Office of the Administrator*

Salaries and expenses:
Budget request ..... $17,125,000
Recommended reduction ..... 3,034,000

Although the budget request is only $740,000 more than the 1965 appropriation, increased assessments are planned against other FFHA programs to support total expenses of $34,617,000. This represents an increase of $4,452,000. The budget calls for an additional 245 employees. The continued increase in administrative expenses in HHFA programs, and financing through assessments rather than a direct appropriation, is not justified.

Urban planning grants:
Budget request ..... $35,000,000
Recommended reduction ..... 21,325,000

This grant program operated at levels of $21,245,000 in 1964 and $13,805,000 in 1965. Grant recipients are required to coordinate their planning work with related programs carried on by the Federal Government. The budget offers insufficient evidence of the necessity for a 153-percent increase.

Urban studies and housing research:
Budget request ..... $1,500,000
Recommended reduction ..... 1,100,000

The 1966 request calls for major expansion of activities beyond the 1965 program. The recommended reduction would permit continuation of this program at a reasonable level.

Federal-State training programs:
Budget request (1965) ..... $5,050,000
Recommended reduction ..... 5,050,000

The request for fiscal 1965 should be eliminated since it would be virtually impossible to start these programs before the end of the current year.

Federal-State training programs:
Budget request ..... $10,145,000
Recommended reduction ..... 5,145,000

The appropriation for 1966 should be no more than $5 million. This will amply cover planned grants and expenses for the coming year.

Fellowships for city planning and urban studies:

| | |
|---|---|
| Budget request (1965) | $515,000 |
| Recommended reduction | 515,000 |

The request for fiscal 1965 should be eliminated. Authorization for this program places a $500,000 limit on each year's program. It would be unwise to attempt to grant $500,000 in fellowships in the short period of fiscal year 1965 that may remain after the appropriation is finally approved.

Open-space land grants:

| | |
|---|---|
| Budget request | $31,835,000 |
| Recommended reduction | 31,835,000 |

This request should be refused in its entirety. Of the current statutory authorization of $75 million for this program, about $29 million will remain uncommitted at the start of fiscal 1966. This should be sufficient for the operation of the program at levels approximating those of recent years.

Urban service facilities and basic community facilities grants proposed:

| | |
|---|---|
| Budget request | $150,000,000 |
| Recommended reduction | 150,000,000 |

This proposal for a new spending program should be denied. It would add an unnecessary program to the existing Federal programs already operating in the community facilities field.

Public works planning fund:

| | |
|---|---|
| Budget request | $15,000,000 |
| Recommended reduction | 5,000,000 |

It is recommended that this program be held to the limits of existing authorizing legislation. Huge deficits have been experienced in the program and this should be corrected before consideration is given to making additional authorizations.

Urban renewal fund:

| | |
|---|---|
| Budget request (1965) | $675,000,000 |
| Recommended reduction | 675,000,000 |

This request for fiscal 1965 should be denied. The documented failures and inequities of the Federal urban renewal subsidy program are evidence that the program should be terminated.

Rehabilitation loan fund:

| | |
|---|---|
| Budget request (1965) | $10,180,000 |
| Recommended reduction | 10,180,000 |

Rehabilitation loan fund:

| | |
|---|---|
| Budget request | $41,800,000 |
| Recommended reduction | 41,800,000 |

There are already Federal insurance programs covering sound rehabilitation work, and ample private funds are available to finance such sound loans. Loans which are too risky to be handled by the established markets are not a reasonable use of tax dollars.

*Federal National Mortgage Association*

Special assistance functions fund:

| | |
|---|---|
| Budget request (1965) | $150,000,000 |
| Recommended reduction | 150,000,000 |

The budget anticipates that $50 million of these funds would be used for land development loans, and $100 million for below-market interest rate loans on housing. It is recommended that this request be denied in its entirety, since there is an abundance of funds available from private sources, and since land development loans would put the Federal Government into low interest rate lending in a relatively high risk sector of the market—exposing it to large chances of loss of public funds.

*Public Housing Administration*

| | |
|---|---|
| Administrative expenses: | |
| Budget request | $17,210,000 |
| Recommended reduction | 775,000 |

The request for fiscal 1966 anticipates growth of administrative costs for a program that has not exhibited a growth pattern. These costs should be held to approximately 1965 levels by holding the line on employment and on equipment and travel expenses.

INTERSTATE COMMERCE COMMISSION

*Salaries and expenses*

| | |
|---|---|
| Budget request | $27,300,000 |
| Recommended reduction | 1,310,000 |

This recommendation relates to steam locomotive inspection which should be eliminated. It was originally begun when all locomotives had boilers. Few railorads are now using steam locomotives. The Interstate Commerce Commission also has a force of railroad inspectors whose work is largely the inspection of safety appliances. If any of this work should be done by Government, in addition to that already done by the railroads themselves, locomotive inspection should be coupled with other safety inspections.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

*Research and development*

| | |
|---|---|
| Budget request | $4,575,900,000 |
| Recommended reduction | 46,000,000 |

The $46 million requested for the NASA sustaining university program (training, research facilities, and area research) should be eliminated. Similar programs are being conducted by the Department of Defense, Atomic Energy Commission, Department of Health, Education, and Welfare, and the National Science Foundation. There appears to be little, if any, coordination of these programs or overall determination of need. All requests for support of science programs and science facilities in institutions of higher education should be consolidated and appropriations requested should be based on a comprehensive and objective analysis of the scientific and technical needs of the Nation.

The chamber specifically supports the $5 million requested for the NASA technology utilization program. The NASA technology utilization program is being administered in an efficient manner and is accomplishing the objective of the widest possible dissemination of the results of space technology to the industrial and the scientific community.

NATIONAL SCIENCE FOUNDATION

*Salaries and expenses*

| | |
|---|---|
| Budget request | $530,000,000 |
| Support recommended | ---------- |

The National Science Foundation is the best qualified agency to administer programs of science and science facilities support in institutions of higher education. Support for the full National Science Foundation budget request is recommended on the basis of elimination of similar and overlapping programs in other Federal agencies.

The chamber recommends elimination of NASA's sustaining university and education program ($46 million) and $10,467,000 in AEC's training, education and information program on the basis that all requests of science programs and science facilities in colleges and universities be consolidated and that appropriations requested be based on a comprehensive and objective analysis of the scientific and technical needs of the Nation. The National Science Foundation can best coordinate this Nation's efforts in the fields of basic science education.

Mr. STEINER. In summary, our principal point is that there are indirect effects to which we wish to call your attention. We have com-

plete statistical data from our study to show this. We have only highlighted the findings from our study. We are prepared to respond to your questions if you have any on the items listed on pages 6 to 13 covering the independent agencies other than HHFA. My associates are familiar with these fields. If you choose to investigate the information further than it is presented here, we will be pleased to respond to your questions.

Mr. BOLAND. On page 7 you recommend a reduction of $30,584,000 in the construction of public buildings. Are there any specific projects you are taking out here?

Mr. HAIR. There are no specific projects in that recommendation that we had in mind. We were mindful that your committee made a reduction last year of 10 percent of the total request, expecting GSA to effect as many economies as they could. We are also anxious to have GSA and the Government itself explore the possibility of using offices and other buildings already available to the Government—both privately owned buildings and other Government buildings. This recommendation is a general recommendation and not directed toward any specific project.

Mr. BOLAND. We are familiar with the program you have detailed here. We note that for some you recommend total deletion of the budget request, and for others partial reduction.

Have you any questions, Mr. Giaimo?

Mr. GIAIMO. One question. Why do you recommend the elimination of money for 36 employees in the Federal Power Commission? You recommend a $365,000 reduction.

Mr. HAIR. That recommendation, sir, is based on our belief that their workload has not increased enough to warrant additional staff of that much. We had in mind the fact that they had completed the special survey in the last year or so.

Mr. THOMAS. You mean the electric power survey?

Mr. HAIR. That is right. We felt that employees used on that survey could be assigned to other duties and the Agency could get along with current personnel.

Mr. BOLAND. For this specific item, do you have in mind that a recent decision does increase the workload of the Federal Power Commission?

Mr. HAIR. I am sorry, sir, I am not personally familiar with that.

Mr. JONAS. It was the *Colton* case, was it not?

Mr. BOLAND. The *Colton* case gives the authority to the Commission to look into wholesale rates.

(Off the record.)

Mr. HAIR. I would like to add that this recommendation originated with our Natural Resources Committee, and I think the committee members would have been aware of the *Colton* case.

Mr. GIAIMO. No further questions.

Mr. BOLAND. Mr. Jonas.

Mr. JONAS. I see you are not very enthusiastic about open-space land grants. We have gone into that right sharply in here, also. What is your thinking there on the basis of your recommendation that that be deleted entirely?

Mr. HALLENBECK. We feel that under current statutory authority and currently available funds, the program can continue operations.

Mr. JONAS. With the unspent funds previously appropriated?

Mr. HALLENBECK. That is correct. This is a program which has been growing really rather slowly.

Mr. JONAS. Of course, your principal recommendations are in the field of urban renewal, is that correct?

Mr. HALLENBECK. The urban renewal recommendation here deals really with substantive legislation.

Mr. JONAS. The chamber, as I take it, is opposed to that entire program for the reasons you have stated.

Mr. STEINER. We recommend the program be first studied by the Congress. The recommendations specifically presented to the Banking and Currency Housing Subcommittees in both Houses have been to study the programs and find ways to shift the responsibilities back to the State and local levels. On the basis of our studies, we fail to see that these programs are solving basic problems. Although we do not recommend termination, and do not expect termination immediately, we think it entirely illogical that the Federal Government continue these.

Mr. JONAS. I see you do not recommend any cuts in the National Science Foundation, but you do recommend eliminating the university-sustaining program of NASA. Is that on the theory that you think that work ought to be funneled into the National Science Foundation?

Mr. HAIR. Yes; that is correct. We have a recommendation here supporting the full amount.

Mr. JONAS. For NSF.

Mr. HAIR. Yes; the full amount being requested for NSF. Our reason for recommending support for the full amount is that we feel NSF should incorporate and control programs such as the program we oppose for NASA.

Mr. JONAS. I have no further questions.

Mr. GIAIMO. With regard to your position on the urban renewal program, I get the impression you are not overly fond of the program or what it is accomplishing. One of the things that has always disturbed me about this as far as the Chamber of Commerce of the United States is concerned is that you seem to have taken this position on the national level, and yet when we speak to your local chambers they seem to be supporting the urban renewal programs very strongly and working right along with them and are quite enthusiastic about them, in fact. Will you comment on that?

Mr. STEINER. Yes, indeed. We have taken the trouble, which of course, is an obligation of ours, to discover what our members think about these programs. We have invited all of our members associations, the local chambers, which number between 3,900 and 4,000 to come and meet with members of our committee which is responsible for this area of our policy. Of course, not all 3,900 of them came, but 20 of them did. These local chambers represented communities ranging from about 6,000 population to over 2 million in terms of size. They covered very largely the whole eastern United States. We dis-

covered that they support their local projects on the basis that they are stimulating economic activity in their own community. But of all the members that we surveyed in another effort to get opinion, only four indicated that they had made a nationwide study of the effects of these programs.

Further, we have concluded that the subsidy effect, with the distributions running from 11 to 18 times the national average, provides an incentive to get what they call their fair share.

There is general support for our principal policies which call for local responsibility. Almost all of these local chambers adhere to support of this policy.

So, we think the Congress would find, the same as we do, that on a nationwide basis there is support for local leadership. They complain about the level of Federal taxes——

Mr. GIAIMO. If I may interrupt, I do not think you are answering the question. We are not opposed to local leadership. We are not debating whether we have local or national leadership. My question is, Why does the chamber come in here at the national level strongly in opposition to urban renewal programs when I can tell you for a fact the local chambers, certainly in Connecticut, certainly in my area, very strongly support these programs and, in fact, do most or at least much of the work.

Mr. STEINER. I would have one additional comment. We represent the majority of opinion of the chamber. This is all we intend and expect to do. Our policy is established by a completely democratic process in which the majority wins. It was up for vote a year ago. It is up for vote again 2 weeks from now. If it is changed, we will certainly advise the Congress of any change in our position.

Mr. JONAS. Is that vote by ballot or by the convention?

Mr. STEINER. It is on the convention floor, and it may be by ballot on request.

Mr. JONAS. Your convention will be here?

Mr. STEINER. It will be held April 25 through 28. This particular policy session is on the 28th.

Mr. THOMAS. You people do a remarkable job. You have people from every nook and cranny of the United States representing every varying degree of opinion. You do a tremendous job of getting them together. You will find much division of opinion in any tremendous national organization, and of course you have to work on the majority.

Mr. JONAS. I think Mr. Giaimo brought out a good point, though, which has been brought home to me a number of times. Chambers of commerce generally are in the forefront of the fight for economy anywhere except at home.

Mr. BOLAND. The committee appreciates the appearance of you and your colleagues from the U.S. Chamber of Commerce. We do not always agree, but we certainly appreciate the very fine statement you have given and the detailed information you have given to our particular subcommittee. Thank you very much.

Mr. THOMAS. We will expect you next year.

PATENT OFFICE BUILDING

WITNESS

**HON. CHARLES McC. MATHIAS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND**

Mr. THOMAS. Gentlemen, we have with us this afternoon one of our favorite colleagues. This is our distinguished colleague, Congressman Mathias, from Maryland. We are delighted to have you and welcome whatever you would like to tell us.

Mr. MATHIAS. Thank you very much for your hospitality and courtesy. I will keep the committee very briefly, but I am here because I am deeply concerned about the plans which are now progressing to erect a new Patent Office.

This may surprise some of you because, of course, the proposed site of the new Patent Office is in Maryland, either in Anne Arundel County or Howard County. The situation is that I am not sure this is good for the country. Many of the patent attorneys, who will be the primary users of this facility and through whom the public has the major use of a new Patent Office, are residents of the Washington area. Many other patent attorneys, of course, are scattered throughout the entire country and they look forward to coming to Washington to do business at the Patent Office and at other Government offices at the same time. They are all concerned with the fact the Patent Office may move out of the Washington metropolitan area.

I have discussed this matter with a great many of these people who are primarily concerned and who represent the public's use of the Office. I tried to find out where the decision had been made to take the Patent Office out of the Washington metropolitan area. I might say in my definition of the Washington metropolitan area Maryland would be included; it certainly would not be excluded. But I tried to find out who made this decision and GSA advised me that back in the early Kennedy days they had a Cabinet meeting and the President appointed an ad hoc committee to look into the space situation in the Washington area, and the ad hoc committee considered, among other things, the congestion in the Patent Office and recommended that a new Patent Office be built.

I will quote from the GSA letter addressed to me on June 8, 1964, in which they said:

> The body of the report contained a discussion of the possibilities and limitations of decentralization of Federal activities and set forth certain guidelines which should be considered in determining whether an agency's function is or is not susceptible to decentralization or dispersal.

Then the letter goes on—

> After serious evaluation of all factors, it was the considered opinion of officials of the Department of Commerce, including the former Commissioner of Patents, Mr. David L. Ladd, that the functions of the Patent Office were such that it could be located outside the Greater Washington area and that by doing so a new building could be scheduled at a much earlier date.

From this letter it is apparent there really was no scientific survey of where the Patent Office should go. There was an ad hoc commit-

tee and some general discussion of it but nobody went really into the things important in locating a Patent Office.

If the Patent Office were moved outside the Washington metropolitan area there would be many wasted man-hours in transportation.

All the printing for the Patent Office has to be done at the Government Printing Office and this would be difficult if the Patent Office were moved out of the Washington metropolitan area.

Ready access to books from the Library of Congress is important in searching.

Liaison with the Department of Agriculture in regard to plant patents is required.

Many applications are subject to secrecy provisions and people come from the various Defense agencies to look over the applications, which would cause delays if the Patent Office were not located in the Washington metropolitan area.

There are matters which must be submitted to the Food and Drug Administration, and a central location in the Washington metropolitan area is important for this consultation.

Appeals are taken to the Court of Customs and Patent Appeals or the district court in Washington, and the Solicitor of the Patent Office must be represented legally at such hearings. If the Patent Office were located outside of Washington, delays and lost man-hours result.

Many attorneys throughout the country have local associates, and the examiners frequently call upon the local associates. If the Patent Office were located a considerable distance from Washington, long-distance telephone calls or trips wasting valuable man-hours would be required. By example of that, I note the Dallas-Fort Worth Patent Law Association voted unanimously to keep the Patent Office in the Washington metropolitan area. I might say it was not only the lawyers in that great State who saw the light, but the Patent Law Associations of Milwaukee, Toledo, Indiana, Connecticut, and Boston also voted to keep the Patent Office in the Washington metropolitan area. The vote in Connecticut was 98 to 11.

Other Government departments use the search facilities of the Patent Office, and there would be a waste of Government man-hours if it were necessary to go elsewhere than the Washington metropolitan area for such searching.

These give you some idea of the difficulties that will occur to the general public if the Patent Office is moved out of the Washington metropolitan area.

Mr. THOMAS. We thank you. You made a very, very fine statement and it is no wonder your people love you so much.

Mr. MATHIAS. Mr. Chairman, if I may, I raised some of these questions in a series of queries I put to the Department of Commerce in June 1964.

Mr. THOMAS. Would you like for them to go in the record?

Mr. MATHIAS. Yes. I have repeated those queries to the new Secretary of Commerce because the old Secretary of Commerce did not answer them.

(The queries referred to follow:)

*In reference to wasted time by increased travel required.*—What studies, if any, have been made as to the man-hours which would be wasted in traveling to and from a remotely located Patent Office for Patent Office personnel?

What studies and surveys have been made of the wasted man-hours resulting from the additional travel required for inventors and other technical visitors to the Patent Office who use those facilities, particularly the research room?

What studies and surveys have been made as to the feasibility of establishing a public transportation system to and from the selected or preferred sites?

What studies have been made by GSA as to the need for the Solicitor of the Patent Office to maintain a special, separate Washington, D.C., office, if the Patent Office is removed to a remote location, in order to represent the Commissioner in the Court of Customs and Patent Appeals and the U.S. district court in Washington? In the absence of such additional office, what investigations and studies have been made as to the delays and wasted man-hours in travel which would result from the remote location of the Solicitor's office? Even with such an office, what wasted travel time would be required in view of the need for consultation between the Solicitor's office and the examining corps in the preparation of their briefs and cases?

*In reference to the effect and loss of corps of examiners and Patent Office staff.*—What studies and surveys have been made of the current residence of the corps of examiners and the number of examiners who are not willing to move from their present homes to any proposed remote location? Have these studies correlated the number of examiners who would refuse to move with their experience and length of service in the examining corps?

What studies have been made as to the increased difficulty in recruiting additional examiners, and the increased expense to the Patent Office owing to a requirement of higher salaries to obtain personnel?

What studies and analyses have been made as to the effect of overall reduced efficiency of the corps of examiners due to a greater portion of untrained examiners, resulting from such a move of the Patent Office? Congress has actively sought to reduce the backlog of pending patent applications for some 10 years—will not a move to such a remote location repudiate all that effort?

What studies and surveys have been made as to the present residence locations for the clerical help and administrative staffs of the Patent Office? What percentage of this staff presently resides within 10 miles of the proposed site locations? What percentage of this staff resides now within 10 miles of a Washington site for the Patent Office? What surveys have been conducted to determine the portion of the clerical and administrative staff who would resign or request transfer to other Government agencies rather than move with the Patent Office to a remote location? Does the GSA have any evidence which would rebutt the conclusion of the American Federation of Government Employees, Lodge 650, that over 70 percent of the present clerical force would be lost? What studies have been made to indicate the increase in the Patent Office backlog which would result from the need to retrain some three-quarters of the clerical and administrative staff of the Patent Office to the special requirements and operations of that agency?

What do the present studies by GSA indicate as to the portion of new examining recruits in the Patent Office who also attend a law school in the District of Columbia? What studies or surveys have been made as to the number of potential patent examining recruits who would refuse to accept employment in the Patent Office if its location is not convenient to a recognized, accredited law school?

What studies and surveys have been made as to the possibilities of examiners continuing to attend law schools to further their legal training and qualifications to improve the operation of the Patent Office? If it is contemplated that a special law school would be created to satisfy this need, what studies have been made as to the additional cost required to establish the physical facilities and faculty to operate such a law school? Does the GSA plan contemplate that the faculties of the Washington law schools would be "raided" to obtain their professors? Considering that such a law school would have to operate exclusively as a night school, what studies have been made as to the required tuition in order to support the faculty on such a limited attendance? How would such a law school be accredited?

*In reference to relations with other Government agencies located in Washington.*—What investigation and study has been made as to the travel time which would be required for examiners to confer with the Department of Agriculture regarding plant patents in particular, or medical patents with respect to the Department of Health, Education, and Welfare (the Food and Drug Administra-

tion)? Has GSA evaluated the expected increase in the need of such contacts and consultations in the drug field in view of recent legislation by Congress?

What investigations and studies have been made as to the impact of a move of the Patent Office to a remote location on the wasted travel time for representatives of the Department of Defense required to examine applications to comply with Federal secrecy laws?

What wasted travel time to the Patent Office would be required for the investigations by export agencies of the Department of Commerce, with respect to licenses for the exportation of technical data in the form of patent applications?

What investigations and study has been made to determine the effect of the loss of immediate availability to the Patent Office of books and reference material from other libraries, such as the Library of Congress and the libraries of the Departments of Agriculture and Health, Education, and Welfare?

What studies and investigations of other Government agencies and departments have been made as to their use of the search facilities of the Patent Office and their requirements to visit the Patent Office? (Considering here the large number of patent and technical staffs of the Navy; Army; Air Force; AEC; Agriculture; Health, Education, and Welfare, etc., all of whom prosecute patent applications just like private corporations.) What would be the extent of wasted man-hours in travel from the Washington habitat of those agencies to the remote Patent Office location?

Mr. MINSHALL. I would like to commend the gentleman. I am one of his constituents even though I cannot legally vote for him. I have the privilege of telling my neighbors who can legally vote for him what I think of him.

Mr. MATHIAS. Gentlemen, I thank all of you for the many courtesies you have extended to me.

Mr. THOMAS. Come back and see us again.

(The following papers were submitted for the record:)

GENERAL SERVICES ADMINISTRATION,
*Washington, D.C., June 8, 1964.*

Hon. CHARLES McC. MATHIAS, Jr.,
*House of Representatives,*
*Washington, D.C.*

DEAR MR. MATHIAS: Before replying specifically to the questions raised in your letter of May 2 concerning the proposed building for the Patent Office, we thought it would be helpful to review the circumstances affecting the office space situation in the Greater Washington area.

Because of the acute space situation in the Washington area, the late President Kennedy, at a Cabinet meeting in August 1961, directed that a survey be made of the Government's immediate and long-range needs. An ad hoc committee consisting of the Secretary of Commerce, the Secretary of Labor, the Director of the Bureau of the Budget, the Administrator of General Services, and a special assistant to the President was appointed to conduct this survey and to make appropriate recommendations.

In the committee's report, approved by the late President on May 23, 1962, priorities were established for meeting the Government's most critical needs in the Washington area, and a plan of action to be accomplished over the next 10 years was recommended. This plan called for a minimum of 12 new buildings to provide space for the various agencies which were in crowded substandard quarters, and in many instances badly fragmented in numerous locations.

The Patent Office was one of the many agencies mentioned in the list of priorities but considering the relative urgency of need was not among the first.

As you know, the growing congestion in the Washington area has been a matter of concern to the Federal Government for a number of years. The ad hoc committee recognized the fact that all of the space needs could not be met in this area, and in the letter transmitting its report the following statement was included:

"In searching for solutions to the growing congestion of office buildings in the Government community, the committee did not overlook the possibility of easing the pressure on office space through such measures as decentralization or dispersal of Government activities from the Washington area."

The body of the report contained a discussion of the possibilities and limitations of decentralization of Federal activities and set forth certain guidelines which should be considered in determining whether an agency's function is or is not susceptible to decentralization or dispersal.

When the question of a new building for the Patent Office was first raised, there were a number of factors for consideration. For example the question arose as to when a new building could be scheduled in Washington after consideration of the other urgent priority cases. The question also arose as to whether or not this function was susceptible to decentralization or dispersal after application of the guidelines previously referred to.

After serious evaluation of all factors, it was the considered opinion of officials of the Department of Commerce, including the former Commissioner of Patents, Mr. David L. Ladd, that the functions of the Patent Office were such that it could be located outside the Greater Washington area and that by doing so a new building could be scheduled at a much earlier date.

In this connection the following excerpt from Mr. Ladd's testimony before the Subcommittee on Public Buildings and Grounds of the Senate Committee on Public Works on March 20, 1963, summarizes the situation:

"The thesis that I will argue will be very simple; namely, that the need is overwhelming, and, as much as I or others might desire particular locations, that the imperative need is for the construction of a new facility, and that the alternative of locating it in the area indicated in the prospectus is acceptable. I hope to indicate it is acceptable not only to the Patent Office and to the Department of Commerce but the Bureau of the Budget and the General Services Administration, as well as to sizable segments of the bar as well."

In developing suitable locations outside the area, consideration was given to many factors including availability of air transportation, existing and proposed road networks, reasonable accessibility to academic institutions for the benefit of professional employees of the Patent Office, etc. The corridor between Washington and Baltimore passing through Howard and Anne Arundel Counties offered the best possibilities, and it was on this basis that the Congress authorized the building in the specified location.

We believe that the foregoing will answer the questions raised in the first paragraph of your letter.

With respect to the last paragraph of your letter wherein you ask that a careful survey be made before the Patent Office is moved from the District of Columbia; and, if possible, that it be left here, we must point out that we have no discretion in this matter inasmuch as the congressional authorization specified the area in which the building is to be located.

Sincerely yours,

R. T. DALY,
*Commissioner, Public Buildings Service.*

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MATHIAS AND GSA REPRESENTATIVES CONFER ON PATENT OFFICE RELOCATION

Congressman Charles McC. Mathias, Jr., Republican, of Maryland, opposing the proposal of the Government Services Administration to move the U.S. Patent Office to a site outside the Washington metropolitan area, met with GSA representatives this morning.

Mr. Mathias requested the conference because of concern over the proposed move evidenced by the American Patent Law Association and other interested groups and individuals.

The GSA prospectus for relocation of the Patent Office provides: "* * * the facility to be located on a suitable Government-owned site available for this purpose, or on a suitable site to be acquired by donation in Howard or Anne Arundel Counties * * *."

Mr. Mathias feels that a move outside the Washington metropolitan area would be both inefficient and inappropriate and requested at today's conference that the GSA reserve any decision on the Patent Office location until adequate studies and investigations in answer to the following questions have been made, completed, and reported to the Congress.

(Questions put to the GSA by Congressman Mathias this morning are attached.)

*In reference to wasted time by increased travel required.*—What studies, if any, have been made as to the man-hours which would be wasted in traveling to and from a remotely located Patent Office for Patent Office personnel?

What studies and surveys have been made of the wasted man-hours resulting from the additional travel required for inventors and other technical visitors to the Patent Office who use those facilities, particularly the search room?

What studies and surveys have been made as to the feasibility of establishing a public transportation system to and from the selected or preferred sites?

What studies have been made by GSA as to the need for the Solicitor of the Patent Office to maintain a special, separate Washington, D.C., office, if the Patent Office is removed to a remote location, in order to represent the Commissioner in the Court of Customs and Patent Appeals and the U.S. district court in Washington? In the absence of such additional office, what investigations and studies have been made as to the delays and wasted man-hours in travel which would result from the remote location of the Solicitor's office? Even with such an office, what wasted travel time would be required in view of the need for consultation between the Solicitor's office and the examining corps in the preparation of their briefs and cases?

*In reference to the effect and loss of corps of examiners and Patent Office staff.*—What studies and surveys have been made of the current residence of the corps of examiners and the number of examiners who are not willing to move from their present homes to any proposed remote location? Have these studies correlated the number of examiners who would refuse to move with their experience and length of service in the examining corps?

What studies have been made as to the increased difficulty in recruiting additional examiners, and the increased expense to the Patent Office owing to a requirement of higher salaries to obtain personnel?

What studies and analyses have been made as to the effect of overall reduced efficiency of the corps of examiners due to a greater portion of untrained examiners, resulting from such a move of the Patent Office? Congress has actively sought to reduce the backlog of pending patent applications for some 10 years—will not a move to such a remote location repudiate all that effort?

What studies and surveys have been made as to the present residence locations for the clerical help and administrative staffs of the Patent Office? What percentage of this staff presently resides within 10 miles of the proposed site locations? What percentage of this staff resides now within 10 miles of a Washington site for the Patent Office? What surveys have been conducted to determine the portion of the clerical and administrative staff who would resign or request transfer to other Government agencies rather than move with the Patent Office to a remote location? Does the GSA have any evidence which would rebut the conclusion of the American Federation of Government Employees, lodge 650, that over 70 percent of the present clerical force would be lost? What studies have been made to indicate the increase in the Patent Office backlog which would result from the need to retrain some three-quarters of the clerical and administrative staff of the Patent Office to the special requirements and operations of that agency?

What do the present studies by GSA indicate as to the portion of new examining recruits in the Patent Office who also attend a law school in the District of Columbia? What studies or surveys have been made as to the number of potential patent-examining recruits who would refuse to accept employment in the Patent Office if its location is not convenient to a recognized, accredited law school?

What studies and surveys have been made as to the possibilities of examiners continuing to attend law schools to further their legal training and qualifications to improve the operation of the Patent Office? If it is contemplated that a special law school would be created to satisfy this need, what studies have been made as to the additional cost required to establish the physical facilities and faculty to operate such a law school? Does the GSA plan contemplate that the faculties of the Washington law schools would be "raided" to obtain their professors? Considering that such a law school would have to operate exclusively as a night school, what studies have been made as to the required tuition in order to support the faculty on such a limited attendance? How would such a law school be accredited?

*In reference to relations with other Government agencies located in Washington.*—What investigation and study has been made as to the traveltime which

would be required for examiners to confer with the Department of Agriculture regarding plant patents in particular, or medical patents with respect to the Department of Health, Education, and Welfare (the Food and Drug Administration)? Has GSA evaluated the expected increase in the need of such contacts and consultations in the drug field in view of recent legislation by Congress?

What investigations and studies have been made as to the impact of a move of the Patent Office to a remote location on the wasted traveltime for representatives of the Department of Defense required to examine applications to comply with Federal secrecy laws?

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What studies and investigations of other Government agencies and departments have been made as to their use of the search facilities of the Patent Office and their requirements to visit the Patent Office? (Considering here the large number of patent and technical staffs of the Navy, Army, Air Force, AEC, Agriculture, Health, Education, and Welfare, etc., all of whom prosecute patent applications just like private corporations.) What would be the extent of wasted man-hours in travel from the Washington habitat of those agencies to the remote Patent Office location?

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JUNE 16, 1964.

CARL G. LOVE, ESQ.,
*Washington, D.C.*

DEAR CARL: Thanks ever so much for the information which you furnished in your letter of June 11 and for additional facts presented concerning the relocation of the Patent Office. I think you know how helpful this is to me and I appreciate your making the information available.

Sincerely yours,

CHARLES MCC. MATHIAS, JR.

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CUSHMAN, DARBY & CUSHMAN,
ATTORNEYS AT LAW,
*Washington, D.C., June 11, 1964.*

Subject: Patent Office location.

HON. CHARLES MCC. MATHIAS,
*Cannon House Office Building,*
*Washington, D.C.*

DEAR MAC: We are grateful for your generous donation of time to meet with Alvie Guttag, Carroll Palmer, and myself today on the matter of the relocation of the Patent Office, and we trust and believe it will lead to some fruitful results.

As we discussed today, the removal of the Patent Office from the Washington metropolitan area seems to be planned with no regard to the welfare and efficiency of that agency itself, and your concern and interest in this issue are greatly appreciated by all of us.

In response to your request, we are enclosing herewith the following:

(*a*) a copy of Alvie Guttag's letter to Rogers as the report of the APLA Committee on Location of the Patent Office;

(*b*) a letter to Frank Neuhauser tabulating various legal Patent Law Associations opposing the GSA prospectus;

(*c*) a resolution of the American Patent Law Association which was adopted on May 19, 1964, by the board of managers;

(*d*) a letter to Alvie Guttag from St. Louis, Missouri detailing several reasons against a move of the Patent Office.

We are also enclosing our proposed "agenda" for the meeting you have requested with GSA.

Mr. Carroll Palmer has already contacted a number of representatives of Patent Law Associations and other industrial, business, and labor associations in and out of Washington to be on call to attend such a meeting if at all

possible. We are also making an effort to stimulate constituent letters to other representatives of the House and Senate who may be interested in this issue. Any recommendations you have in that area would be especially helpful in our "geographic survey" of clients.

Best regards as always.

CARL G. LOVE.

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MAY 15, 1964.

Subject: APLA—Committee on Location of the Patent Office.

EDMUND C. ROGERS, Esq.,
*President, American Patent Law Association,*
*St. Louis, Mo.*

DEAR MR. ROGERS: This letter is to briefly summarize the meeting on May 13, of the APLA Committee on Location of the Patent Office. All of the members were in attendance except Messrs. Kramer and Senninger, and both of them gave an indication of their views by letter. Former Commissioner Watson was also present as an invited guest.

It was the unanimous opinion of the committee that the proposal for relocating the Patent Office in Howard or Anne Arundel County according to the prospectus for proposed construction under the Public Buildings Act of 1959, Project No. 49926 (revised) should be opposed. The members of the committee who were present at the meeting unanimously recommended that the board of governors be urged to send a statement to the heads of all House and Senate committees recommending against appropriation for money for a site for the Patent Office as defined in the "prospectus."

Instead, the members of the committee were of the opinion that it would be possible to successfully argue that a site should be found in the District of Columbia, and that there would not be an excessively long delay in construction of a new Patent Office building by holding out for such proposal.

It was felt that it would be desirable for the APLA to have a permanent employee who could get across to Congress and to the public the APLA position on this and other matters of concern to the patent profession. It was also felt that it would be desirable to gain the cooperation of the American Bar Association, patent section, to present the question of obtaining a new Patent Office building in Washington, D.C., to the ABA house of delegates and endeavor to obtain its backing.

While all of the members of the committee were agreed that a new Patent Office building in the foreseeable future is highly desirable, as stated, they felt strongly that this building should be in Washington, D.C., not because of personal considerations but instead based on the long-range effects on the Patent Office and on the patent system. Among the reasons which were set forth for maintaining the Patent Office in Washington, D.C., were the following:

1. There would be many wasted man-hours if the Patent Office were located a considerable distance from homes and adequate means of public transportation.

2. All printing for the Patent Office must be done at the Government Printing Office, and it is imperative that this be done as quickly as possible in order to avoid delays in issuing the Official Gazette and patents.

3. Ready access to books from the Library of Congress is important in searching.

4. Liaison with the Department of Agriculture in regard to plant patents is required.

5. Many applications are subject to secrecy provisions and people come from the various defense agencies to look over the applications, which would cause delays if the Patent Office were not located in Washington.

6. There are matters which must be submitted to the Food and Drug Administration, and a central location is important for this consultation.

7. Appeals are taken to the CCPA or the district court in Washington, and the Solicitor of the Patent Office must be represented legally at such hearings. If the Patent Office were located outside of Washington, delays and lost man-hours would result.

8. Many attorneys throughout the country have local associates, and the examiners frequently call upon the local associates. If the Patent Office were located a considerable distance from Washington, long-distance telephone calls or trips wasting valuable man-hours would be required.

9. Other Government departments use the search facilities of the Patent Office, and there would be a waste of Government man-hours if it were necessary to go elsewhere than the normal Washington habitat for such searching.

10. The examining corps would initially lose a great many examiners, and there would be a buildup of the backlog.

11. It would be extremely difficult to obtain clerical help if the Patent Office moves to a location which is far out from Washington. Furthermore, it is estimated by the American Federation of Government Employees, Lodge 650, that over 70 percent of the clerical force presently employed would be lost.

12. The examiners must go to law school to do a good job, and there would be a problem in getting to school. In this connection, it should be noted that the law schools in Washington, D.C., are among the few in the country that give special courses on patent law.

13. It will be difficult to obtain recruits if the Patent Office is located a considerable distance from Washington, and particularly if it is a considerable distance from a law school.

14. Many people, including inventors and those of technical bent, who visit Washington frequently go to the search room, but this would not be possible if the Patent Office moved out of Washington.

15. The Patent Office is one of the few Government agencies that is directly open to the public, and it is probably used by the public more than any other agency. Removal to a site other than Washington would curtail such use considerably.

The committee is convinced that a site can be found in Washington. Thus, there are various places that are being torn down in the urban renewal projects which could suitably be employed for a new Patent Office building. The members of the committee feel strongly that the position of the patent system must be gotten across to the country, and that there is no justification for insisting that the Patent Office should be built only on land which is already owned by the Government or is donated to the Government when many other agencies have their offices built on land which is specially purchased for that purpose.

The committee also considered the offer by Jack Dinsmore of the firm of Sheslinger, Sheslinger & Arkwright, to donate 75 acres of land near Olney, in Montgomery County, Md., for a new Patent Office building, but it was the opinion of the committee that such a site would not be in accord with the basic position of locating the Patent Office in Washington.

Mr. Neuhauser presented a letter from G. Franklin Rothwell of the patent trademark and copyright law section of the Bar Association of the District of Columbia pointing out that the following patent law associations were in favor of delaying a new building until an adequate site within the District of Columbia could be obtained: Milwaukee, Toledo, Indiana, Connecticut, Boston, and Dallas-Fort Worth. The vote in Connecticut was 98 to 11, and in Dallas-Fort Worth was unanimous for keeping the Patent Office within Washington.

I had a meeting with Clarence Kalk and Assistant Commissioner Fay on May 11, in which they discussed possible sites in Anne Arundel and Howard Counties, Md. Executive policy required that their consideration be limited to these two counties, and they indicated it would require congressional approval to go elsewhere, and if there were strong opposition to these sites, it probably would mean abandonment of a buiding for the Patent Office in the near future. They also indicated that if the APLA offered other sites, Congress might then reopen the question entirely as to the location, and sites outside the Washington area could well also be considered.

I expect to be present at 3 p.m. for the meeting of the APLA board of governors on May 19, and will be glad to answer any questions that the board might have in regard to our meeting.

Very truly yours,

ALVIN GUTTAG.

PATENT, TRADEMARK, & COPYRIGHT LAW SECTION,
THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA,
*Washington, D.C., May 7, 1964.*

Re new Patent Office location.

FRANK L. NEUHAUSER, Esq.,
*General Electric Co., Pennsylvania Building,*
*Washington, D.C.*

DEAR FRANK: The following is a tabulation from my files as to the stands taken by the various local patent law associations:

Milwaukee: Advocates delay of new building until adequate District of Columbia site is available.

Toledo: Urges the building at one location within the District of Columbia.

Indiana: Opposes relocation at any site more remote from downtown District of Columbia than Langley, Va.

Connecticut: Opposed to moving outside of Washington and specifically Annapolis-Friendship area (vote 98 to 11).

Dallas-Fort Worth: Unanimously opposed removal to a location immediately outside Washington.

Boston: Urges building centrally located in District of Columbia.

As you can see from the above, every local association that I know of which took action on this subject opposed relocation in accordance with the GSA approved prospectus.

Very truly yours,

G. FRANKLIN ROTHWELL.

P.S.—I recall Philadelphia opposed, too, but this is not in my files.

F.R.

*Be it resolved*, That the American Patent Law Association opposes the proposal for relocating the Patent Office in Howard or Anne Arundel County according to the prospectus for proposed construction under the Public Buildings Act of 1959, Project 49926 (revised);

A statement shall be sent by the President on behalf of the association to the chairmen of the House and Senate Committees on Appropriations and their Subcommittees on Independent Offices recommending against appropriation of money for a building for the Patent Office on a site as defined in said prospectus;

And that the position of the association with respect to Patent Office location expressed in the resolution adopted by the board of managers on February 19, 1963, be restated for clarification as follows:

*Be it resolved*, That the American Patent Law Association strongly opposes any proposal to move the Patent Office to a location outside the District of Columbia or more than 10 miles from the White House and urges that sound policy requires that the Patent Office be and remain located as it has been for over a hundred and twenty-five years at the National Capital for the following reasons: (1) current operations of the Patent Office are well known to be impaired by personnel problems and the further disruption and dispersal of its skilled, experienced, and expensively trained staff that would be the inevitable consequence of a move from Washington would be crippling to Patent Office efficiency; (2) a large body of the patent bar, exceeding 15 percent of the membership of this association, is established in Washington, to render services vital to inventors, to research-minded industries, and to out-of-town counsel requiring close personal contact with the Patent Office and a substantial hardship and inconvenience to these lawyers and their clients would result from a move from Washington; and (3) the Patent Office has extensive business with other Government offices and agencies and with lawyers, inventors, and members of the public generally who have to travel to it and no other location than Washington will enable the Patent Office to accomplish this business with equal economy and effectiveness.

LAW OFFICES OF KOENIG, SENNIGER, POWERS & LEAVITT,
*St. Louis, Mo., May 13, 1964.*

Re APLA Committee on Location of the Patent Office.

Mr. ALVIN GUTTAG,
*Cushman, Darby & Cushman, American Security Building,*
*Washington, D.C.*

DEAR MR. GUTTAG: I had hoped to be in Washington for the May 13 meeting of this committee, but I now find that this will be impossible, so I will forward my comments to you in this letter.

I quite agree with Mr. Fenwick's stated reasons for opposing the possible relocation of the Patent Office outside of the District of Columbia. I also concur with Mr. Kramer's position that out-of-town attorneys and their clients would be seriously hampered by removal of the Patent Office from the District inasmuch as there are invariably other and related matters to handle in the District during any single trip to the Patent Office.

Supplementing these pertinent reasons, I prefer to place my emphasis in objecting to any such Patent Office relocation on the grounds that the public will be put to great inconvenience by such a plan. Most governmental agencies have field offices in at least the principal cities around the country where the public can directly transact business. Thus, when a member of the public has a problem involving taxes, or veterans' benefits, or agriculture, etc., he can quite easily contact the appropriate local field office on the matter. The Patent Office with its searchroom, library, and examiners is not susceptible to such a branch-office operation. Thus many of the persons who become our clients and personnel of companies we represent frequently visit Washington combining business in the Patent Office with conferences at other agencies or offices in the District. I have made a number of personal inquiries of such people in this regard, and contacted other local patent lawyers all of whom state that this, too, is their experience. Clearly, the public will be seriously hampered by such a move.

I will further state that in addition to the various agencies located in the District and listed by Mr. Fenwick, many of us have matters before the various appellate courts, viz., CCPA, the U.S. District Courts and Court of Appeals for the District, and the Court of Claims. Moving the Patent Office outside of the District certainly would complicate things in this regard. Also, I frequently have matters before the Copyright Office and envision a few difficulties in economically handling the items on my usual docket if the Patent Office were geographically separated from the District.

In my discussions with various personnel of this very important and venerable branch of the Commerce Department, they have given a number of valid reasons for opposing any such move. However, they have been unanimous in their conclusion that they are strongly opposed.

In conclusion it seems to me that there is far less reason to move the Patent Office outside the District of Columbia than to retain it in the District. I believe we all recognize the growing demands for space within the District, but I believe for the foregoing reasons that the Patent Office should be far down the list of those governmental agencies which are to be considered for relocation outside of the District of Columbia.

Yours very truly,

STUART N. SENNIGER.

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PROPOSED AGENDA FOR CONFERENCE WITH GSA RE NEW PATENT OFFICE LOCATION

I. PRESENTATION BY GSA OF THEIR CASE AND POSITION

A. What is their current specific thinking as to the Patent Office location?

B. What site or sites are under their current active consideration? Identify and indicate their rank or priority.

C. What is the identity of the source of the land of these sites and what reasons underlie the selection of these sites as the Patent Office location?

D. What studies or information is available as to ownership and future planned use for the land adjacent to the proposed sites? Will such land experience unfavorable development from the Patent Office point of view?

E. Why do the preferred or selected sites appear to offer an opportunity for improvement of the functioning of the Patent Office, aside from merely providing a new building? How has the functioning of the Patent Office been considered in the examination of potential sites?

II. INTERROGATION OF GSA AS TO THE FOLLOWING PARTICULAR TOPICS:

A. Wasted time by increased travel required:

1. What studies, if any, have been made as to the man-hours which would be wasted in traveling to and from a remotely located Patent Office for Patent Office personnel?

2. What studies and surveys have been made of the wasted man-hours resulting from the additional travel required for inventors and other technical visitors to the Patent Office who use those facilities, particularly the searchroom?

3. What studies and surveys have been made as to the feasibility of establishing a public transportation system to and from the selected or preferred sites?

4. What studies have been made by GSA as to the need for the Solicitor of the Patent Office to maintain a special, separate Washington, D.C. office, if the Patent Office is removed to a remote location, in order to represent the Commissioner in the Court of Customs and Patent Appeals and the U.S. District Court in Washington? In the absence of such additional office, what investigations and studies have been made as to the delays and wasted man-hours in travel which would result from the remote location of the Solicitor's office? Even with such an office, what wasted travel time would be required in view of the need for consultation between the Solicitor's office and the examining corps in the preparation of their briefs and cases?

B. Effect and loss of corps of examiners and Patent Office staff:

1. What studies and surveys have been made of the current residence of the corps of examiners and the number of examiners who are not willing to move from their present homes to any proposed remote location? Have these studies correlated the number of examiners who would refuse to move with their experience and length of service in the examining corps?

2. What studies have been made as to the increased difficulty in recruiting additional examiners, and the increased expense to the Patent Office owing to a requirement of higher salaries to obtain personnel?

3. What studies and analyses have been made as to the effect of overall reduced efficiency of the corps of examiners due to a greater portion of untrained examiners, resulting from such move of the Patent Office? Congress has actively sought to reduce the backlog of pending patent applications for some 10 years—will not a move to such a remote location repudiate all that effort?

4. What studies and surveys have been made as to the present residence locations for the clerical help and administrative staffs of the Patent Office? What percentage of this staff presently resides within 10 miles of the proposed site locations? What percentage of this staff presently resides within 10 miles of a Washington site for the Patent Office? What surveys have been conducted to determine the portion of the clerical and administrative staff who would resign or request transfer to other Government agencies rather than move with the Patent Office to a remote location? Does the GSA have any evidence which would rebut the conclusion of the American Federation of Government Employees, Lodge 650, that over 70 percent of the present clerical force would be lost? What studies have been made to indicate the increase in the Patent Office backlog which would result from the need to retrain some three-quarters of the clerical and administrative staff of the Patent Office to the special requirements and operations of that agency?

5. What do the present studies by GSA indicate as to the portion of new examining recruits in the Patent Office who also attend a law school in the District of Columbia? What studies or surveys have been made as to the number of potential patent examining recruits who would refuse to accept employment in the Patent Office if its location is not convenient to a recognized, accredited law school?

6. What studies and surveys have been made as to the possibilities of examiners continuing to attend law schools to further their legal training and qualifications to improve the operation of the Patent Office? If it is contemplated that a special law school would be created to satisfy this need, what studies have been made as to the additional cost required to establish the physical facilities and faculty to operate such a law school? Does the GSA plan contemplate that the faculties of the Washington law schools would be raided to obtain their professors? Considering that such a law school would have to operate exclusively as a night school, what studies have been made as to the required tuition in order to support the faculty on such a limited attendance? How would such a law school be accredited?

C. Relations with other Government agencies located in Washington:

1. What investigation and study has been made as to the travel time which would be required for examiners to confer with the Department of Agriculture regarding plant patents in particular, or medical patents with respect to the Department of Health, Education, and Welfare (the Food and Drug Administration)? Has GSA evaluated the expected increase in the need of such contacts and consultations in the drug field in view of recent legislation by Congress?

2. What investigations and studies have been made as to the impact of a move of the Patent Office to a remote location on the wasted travel time for representatives of the Department of Defense required to examine applications to comply with Federal secrecy laws?

3. What wasted travel time to the Patent Office would be required for the investigations by export agencies of the Department of Commerce, with respect to licenses for the exportation of technical data in the form of patent applications?

4. What investigations and studies have been made as to the impact of the Patent Office location on the printing of patents at the Government Printing Office, and the delays which would result if these two agencies are located remotely from each other?

5. What investigation and study has been made to determine the effect of the loss of immediate availability to the Patent Office of books and reference material from other libraries, such as the Library of Congress and the libraries of the Departments of Agriculture and Health, Education, and Welfare?

6. What studies and investigations of other Government agencies and departments have been made as to their use of the search facilities of the Patent Office and their requirements to visit the Patent Office? (Considering here the large number of patent and technical staffs of the Navy, Army, Air Force, AEC, Agriculture, Health, Education, and Welfare, etc., all of whom prosecute patent applications just like private corporations.) What would be the extent of wasted man-hours in travel from the Washington habitat of those agencies to the remote Patent Office location?

III. Request GSA reserve any decision as to Patent Office location in accordance with the prospectus until adequate studies and investigations of the kind outlined have been made, completed, and reported to the Congress.

TUESDAY, APRIL 13, 1965.

PATENT OFFICE BUILDING

WITNESSES

W. BROWN MORTON, JR., PRESIDENT, AMERICAN PATENT LAW ASSOCIATION
ROBERT C. WATSON, FORMER COMMISSIONER OF PATENTS
DONALD R. DUNNER, CHAIRMAN, DISTRICT OF COLUMBIA BAR ASSOCIATION PATENT SECTION
CARROLL PALMER, CHAIRMAN, AD HOC COMMITTEE ON PATENT OFFICE, DISTRICT OF COLUMBIA BAR ASSOCIATION PATENT SECTION
JAMES L. DOOLEY, CHAIRMAN-ELECT, DISTRICT OF COLUMBIA BAR ASSOCIATION PATENT SECTION
WILLIAM S. LAWSON, PRESIDENT, PATENT OFFICE SOCIETY
MARK NEWMAN, CHAIRMAN, LEGISLATIVE COMMITTEE, PATENT OFFICE SOCIETY
DAVIS T. MOORHEAD, PAST PRESIDENT, PATENT OFFICE SOCIETY
WILLIAM R. HULBERT, PRESIDENT, BOSTON PATENT LAW ASSOCIATION
JOHN T. ROBERTS
G. F. ROTHWELL
THOMAS E. FISHER, CLEVELAND

Mr. THOMAS. Mr. Fisher, we understand you and our beloved colleague are old partners. We welcome you.

Mr. Minshall, would you introduce our distinguished guest.

Mr. MINSHALL. Mr. Chairman, it is a pleasure to introduce one of my constituents from a distinguished suburb of Cleveland, Chagrin Falls. He represents the Patent Law Association of Cleveland and is interested in discussing the possible relocation of the Patent Office Building. I also would like to tell Mr. Fisher this is without question the most distinguished subcommittee in the Congress, and has the most able of all the chairmen, to say nothing of its members.

Mr. THOMAS. Since Mr. Fisher is your friend, that makes all of us friends.

Mr. MINSHALL. Before Mr. Fisher starts his testimony, I would like very much to submit a list of the correspondence I have received from Cleveland patent law people opposing the relocation of the Patent Office away from the Greater Washington area.

Mr. THOMAS. Whatever you think ought to be in the record.

(The list follows:)

CORRESPONDENCE RECEIVED OPPOSING LOCATING NEW PATENT OFFICE AWAY FROM GREATER WASHINGTON AREA, MARCH AND APRIL 1965, BY HON. WILLIAM E. MINSHALL

Mr. Vern L. Oldham, Oldham & Oldham, 1310 First National Tower, Akron, Ohio.
Mr. John C. Oberlin, Attorney at Law, 1405 East Sixth Street, Cleveland, Ohio.
Mr. H. E. Whitaker, Attorney at Law, 29½ Riverside Drive, Berea, Ohio.

Mr. Arthur L. Cain, Bosworth, Sessions, Herrstrom & Knowles, 1327 National City Bank Building, Cleveland, Ohio.
Mr. William H. Thomas, Hartshorn, Thomas, Edelman & Fludine, 440 Leader Building, Cleveland, Ohio.
Mr. Milton L. Simmons, Ferro Corp., 4150 East 56th Street, Cleveland, Ohio.
Mrs. J. Helen Slough, Slough & Slough, 1220 B. F. Keith Building, Cleveland, Ohio.
Mr. Frank B. Robb, Robb & Robb, 1220 Huron Road, Cleveland, Ohio.
Mr. William C. McCoy, McCoy, Greene Medert & TeGrotenhuis, Bulkley Building, Cleveland, Ohio.
Mrs. Louis B. Courtot, Director, Patents, the Weatherhead Co., 300 East 131st Street, Cleveland, Ohio.
Mr. George S. Baldwin, Meyer, Baldwin, Doran & Egan, 1430 Keith Building, Cleveland, Ohio.
Mr. A. C. Body, Tilberry & Body, 1230 Union Commerce Building, Cleveland, Ohio.
Mr. Leland L. Chapman, Counsel, the Standard Oil Co., Midland Building, Cleveland, Ohio.
Mr. John Mahoney, Patent Lawyer, 359 Hippodrome Building, Cleveland, Ohio.
Mr. Richard G. Smith, Patent Attorney, the Sherwin-Williams Co., 101 Prospect Avenue, Cleveland, Ohio.
Mr. William Weigl, Attorney at Law, 11033 Greenhaven Parkway, Brecksville, Ohio.
Mr. Robert J. Patch, Young & Thompson, Tower Building, Washington, D.C.

Mr. THOMAS. If you have a statement, put it in the record, Mr. Fisher, and then you may talk to us.

STATEMENT OF MR. THOMAS E. FISHER

Mr. FISHER. Sir, I am with some other people, and we had intended that my statement follow the others. If the committee prefers, I will proceed with my statement now.

Mr. THOMAS. Go ahead. If you have a prepared statement, we will insert it in the record and you can ad lib.

(Mr. Fisher's statement follows:)

STATEMENT BY THOMAS E. FISHER, OF WATTS & FISHER, CLEVELAND, OHIO

I am here today representing both the Cleveland Patent Law Association and the National Committee for a New Patent Office Building.

The overwhelming consensus of opinion of the members of the Cleveland Patent Law Association is in favor of a new Patent Office Building but opposed to the proposed move to Maryland in Howard or Anne Arundel County. Similarly, the National Committee for a New Patent Office Building is, as the name implies, in favor of a new Patent Office Building. Every bar and patent law association which has taken a position on the subject favors the building, but, the national committee and all bar and patent law associations which have taken action on the subject oppose the proposed move of the Patent Office to the Maryland location.

This universal opposition to the move to the proposed Maryland location is primarily because:

1. The study of the District of Columbia Bar Association has shown that the increase in travel time and costs occasioned by the move to rural Maryland alone will be well in excess of $1 million per annum.

2. The loss of present employees of the Patent Office and the inability to obtain competent personnel in the future will, we believe, adversely affect the cost of Patent Office operations and the work product of the Patent Office to the detriment of the public in general.

In the past few years, I have regularly attended meetings of the American Patent Law Association and of the Patent Section of the American Bar Association. At those meetings, there have been frequent discussions, both formal and informal, about a proposed new Patent Office Building and about the proposed move to rural Maryland. The overwhelming, almost universal, opinion expressed by attorneys and representatives of the Patent Office attending these meetings is in opposition to the move of the Patent Office to rural Maryland.

There are a few, both in and out of the Patent Office, who, as a matter of expediency, assert that they favor the proposed Maryland location. I submit that they do not favor the proposed Maryland location. What they favor is a new Patent Office building at any price. The proponents of the move to Maryland are of the view that the new Patent Office building, if it is to be built at all, will only be built in rural Maryland. Their view is that if they urge any alternate site, however logical or economic, the Congress of these United States will not authorize the funds.

Officials of the Patent Office have told us repeatedly if the building is to be built at all, it must be built in this rural Maryland site. That to propose an alternate site is to delay and in fact prevent the building of a new Patent Office. Senator Tydings has warned the District of Columbia Bar Association that further opposition to the move to rural Maryland will only result in the ultimate removal of the Patent Office to some far and remote region of the country, perhaps thousands of miles from its present location. With this type of fear tactic from the few proponents of the proposed Maryland location, it is understandable that a few patent lawyers and a few employees of the Patent Office indicate a willingness to move to Maryland.

A report of the ad hoc committee of the District of Columbia Bar Association has been filed with this committee. Appendix O of that report is a report of a survey conducted by the Patent, Trademark, & Copyright Research Institute of George Washington University showing 80 percent of those responding to a survey opposed the move to rural Maryland and only 10 percent expressed approval. Appendix N of that report is the result of a survey conducted by the Patent Office Professional Association (POPA). This is an association of Patent Office examiners.

The POPA survey shows almost 70 percent believe that the need for a new building does not outweigh all considerations of locations. Almost 60 percent indicated that they would not accept the rural Maryland location. An amazing 83 percent indicated they would support action directed toward obtaining a change in the present proposed location if such action did not endanger the chances of obtaining a new building and a very substantial majority indicated they would support such action even if the chances of obtaining the building were endangered. Fifty percent indicated they would leave the Patent Office if it were moved to an unsatisfactory location.

The proponents of the move of the Patent Office tell us that unless the Office is moved, an exceptional attrition will be experienced. The fact is that the majority of the employees who allegedly will leave have indicated they would rather stay where they are than move to rural Maryland.

The proposed move of the Patent Office will cause considerable disruption and inconvenience to the attorneys practicing before the Patent Office whether those attorneys be residents of the District of Columbia or other cities of the country. New Court of Customs and Patent Appeals and Court of Claims have been built within the District of Columbia recently. All patent lawyers have dealings with these courts at one time or another. This means the District of Columbia lawyer must either become a member of both the bar of Maryland and the District of Columbia or he must hire local counsel in Maryland, increasing the cost to his client. The out-of-town attorney may find himself with two local counsels, one in Maryland and one in the District, and certainly will find the cost to his client is further increased for such things as the obtaining of a printed record for an appeal from the Patent Office to the Court of Customs and Patent Appeals.

The out-of-town attorney may find himself with increased cost in getting certain papers to the Patent Office prior to statutory deadlines. Often the attorney is faced with deadlines through no fault of his own, and the only solution is to either air express, or to transport by bus, documents to the District of Columbia because the mail will not meet the time limitations imposed. It is wondered how, in circumstances such as these, the document will be transported to the rural Maryland site except that again substantial additional expense will be imposed on the poor inventor.

Transportation to and from the new location will be greatly increased in cost. For example, there are two propeller flights a day from Cleveland to Baltimore Friendship, and both stop en route. There are at this time some 12 or 16 flights per day to National with 6 or 8 nonstop and most all jet-prop. Patent Office

personnel have been known to suggest that helicopter service between the two airports will solve the attorneys' dilemma in getting to and from the Patent Office. Here again, there is clearly no regard of the cost to the inventor.

The out-of-town attorney is faced with a dilemma unless some rational solution to the searchroom problem is worked out. The Patent Office remains strangely silent on its intentions. At first the indication was the searchroom would be maintained in the District of Columbia. Recognizing the prohibitive cost to the Patent Office for such things as trucking of approximately a million copies of patents per year between Maryland and the public searchroom for purposes of reclassification of those copies, the Patent Office quickly changed its position to say the searchroom would be in the rural Maryland site. Recognizing then it was defeating the very purpose of the Patent Office system, the Patent Office took yet a third position, suggesting perhaps there would be two public searchrooms, obviously substantially increasing the cost of the Patent Office operation.

Mr. FISHER. I am here today really wearing two hats. I am here both on behalf of the Cleveland Patent Law Association and on behalf of the National Committee for a New Patent Office Builidng. This is a committee composed of patent lawyers from all over the country who are, as the name implies, interested in a new building. We want the building, make no mistake of that. We need it. While we want it, we do oppose its location at the proposed site in Maryland in the vicinity of Baltimore. The consensus of the Cleveland Patent Law Association today is clearly of the same vein. While we definitely favor the building, we oppose its move to the two county areas in Maryland which have been suggested. This is the same position which has been expressed by every patent association or bar association in the country that has spoken on this subject.

I have here, for example, a telegram from Tom Arnold, who is chairman this year of the patent section of the American Bar Association, stating the same position. He finds the need of the building imperative, and he urges we do all possible to keep the building in the vicinity of the District of Columbia.

Mr. THOMAS. Where is Mr. Arnold from?

Mr. FISHER. He is from Houston.

(The telegram follows:)

HOUSTON, TEX., *April 12, 1965.*

CAROL PALMER,
*Chairman, National Committee for a New Patent Office, Washington, D.C.:*

I understand that the possibility of moving the U.S. Patent Office, as a part of the needed provision of a new Patent Office Building, is again in present consideration in Congress.

While, of course, the need of a new Patent Office Building is imperative, it does not follow that this need for a new building compels the move of the building to locations far removed from the middle District of Columbia location.

May I urge that you make every reasonable effort to persuade that the location of the Patent Office in the downtown location of Washington, or otherwise proximate the middle of the District of Columbia, is important to the efficient functioning of the Office, is important to those who use the Office for various business purposes.

And every reasonable effort to find a location in the District should be indulged.

TOM ARNOLD.

Mr. FISHER. In the past few years I have been rather religiously attending American Patent Law Association and American Bar Association meetings. At those meetings we constantly are discussing this question of a new Patent Office Building and the location of that building.

Mr. JONAS. We know you are going to get a Patent Office Building. Unless you want to take the time arguing for a building, tell us now what objections you have to putting it in the location that GSA has tentatively selected.

Mr. FISHER. I am here to seek answers to questions. I have been asking several questions repeatedly of everyone who will listen, and I have not had straight answers. I want to know why the Patent Office officialdom proposes to move this building to a location where statistics prove the increased cost of annual transportation alone to the Government will be in the neighborhood of a million and a half dollars a year. This will be brought out more by statistics you will hear from others who will testify here subsequently. The Patent Office is an agency which has great relationship with many other agencies.

Mr. JONAS. What will make up that million dollar cost?

Mr. FISHER. The breakdown is in this ad hoc committee report which has been submitted to each of you, and which was prepared by the District of Columbia Bar Association. The breakdown is essentially in transportation of Patent Office personnel from the Patent Office to other agencies that they have dealings with, and vice versa.

Mr. JONAS. I am not antagonistic. I am trying to help you build the case. I want you to put your facts on the record.

Mr. FISHER. I understand, sir.

Mr. BOLAND. Mr. Fisher was just indicating he had some questions he would like answered. He was answering Mr. Jonas' questions. We are not quarreling about the construction of a new building. You do not have to convince us of that. We are interested specifically in the opposition to putting the building in a particular place. There has been the determination that there will be a new Patent Office Building. That is a question which has been resolved. We are really interested in why you oppose the area which has been specifically mentioned for the construction of a new Patent Office Building.

Mr. FISHER. I thought you started with a good question in responding to Mr. Jonas' question. Will you continue.

Mr. JONAS. You said it would cost over a million dollars a year to the Government in transportation.

Mr. FISHER. In transportation alone. Mr. Dunner has the full breakdown of where these figures come from.

Secondly, we are very much concerned about maintaining the present personnel of the Office and obtaining replacement personnel in the Office. The Patent Office officialdom tell us that the move will help them maintain their personnel. As an appendix to this report you will find the results of a questionnaire taken by the Patent Office Professional Association. This is an association made up of examiners and other professional employees of the Patent Office. I want to know why they want to move when this questionnaire shows that almost 70 percent of the examiners indicate that the need for a new building does not outweigh other considerations. Sixty percent are opposed to the location in Maryland. An amazing 83 percent say they will actively support action to alter the proposed location of the building if it does not endanger the construction of the building. A majority that is almost as large oppose the proposed Maryland location,

even if it means they do not get the building. Fifty percent indicate they will leave the Office if it is moved to an undesirable location.

Mr. JONAS. That is career people?

Mr. FISHER. This is career people in the Office as polled by their own association. It is directly contrary to the position that the Commissioner and Dr. Hollomon have taken. I want to know why they take a position which is contrary to what the career people tell them.

Mr. THOMAS. Do you think the Office ought to be used for the use and benefit of the employees and the lawyers?

Mr. FISHER. No, sir. I think the Office ought to be run for the benefit of the public, and to get the benefit of the public we need a good work product, and to get a good work product we need competent, trained, and experienced personnel.

There was a proposal that the Patent Office at one time use high school dropouts as an indication of the downgrading of the profesionals caliber that is going on.

I want to know why there is a disregard for some five proposed alternate sites within the District, all of which would save this million and a half dollars to which we allude.

I want to know why there is a disregard for the problems of the out-of-town attorney, such as the fact that we would be near Friendship Airport where, for example, there are 2 flights a day from Cleveland, propeller planes that stop en route, versus 12 or 16 to National. One official at the Patent Office told me that was no concern. I could take a helicopter from National to Friendship at a slight extra charge to my client.

Mr. THOMAS. They do not have that subsidy yet, so you will not be doing that for a while.

Mr. FISHER. It means we may have to hire two local counsels because the courts with which we deal, the courts of appeal from the Patent Office, the Court of Customs and Patent Appeals, the District Court, and the Court of Claims, are all in the District, two of them in new buildings in the District, and it means we will need a District of Columbia lawyer and a Maryland lawyer, again an extra cost to the client.

I would like to know what the Patent Office intends to do with the searchroom. Initially they told us they were going to maintain it in the District of Columbia while they moved the rest of the Office to Maryland. As one example, when the Patent Office reclassifies patents, they remove the patent copies from the searchroom and take them up to the classification division. There must be 10 milion copies in the searchroom. I would suppose a million copies a year are taken out of the searchroom and back. Consider the cost alone of trucking a million patent copies to Maryland and back each year.

Mr. BOLAND. I understand this was resolved. If they are going to put the building somewhere else, in one of these counties, the searchroom would be moved, too.

Mr. THOMAS. It would all be under one roof.

Mr. FISHER. Then, sir, I want to know what we are going to do about the true purpose of the Patent Office, which is to make information available to the public. If we are going to move it to an inconvenient location——

Mr. THOMAS. Don't we have the U.S. mail? We deal with a lot of information centers in here. We have not stopped the mail.

Mr. FISHER. The search room, sir, is a place where the public comes in and searches through the patents to select appropriate patent copy for their own needs.

Mr. BOLAND. How many of the general public would you say visit the search room in the course of a year?

Mr. FISHER. There is a letter of record here from Commissioner Brenner which suggests 2,000 people a day.

Mr. THOMAS. Are they all lawyers, or laymen, or what?

Mr. FISHER. No, sir. Of my own clients, half a dozen a year come down here and spend a day or two searching to get background technical knowledge in their own fields of expertise.

Mr. THOMAS. Gentlemen, you are all highly intelligent and successful people, but I see my old partner over there, the former Commissioner. He was a great one. Before you finish, we want to hear from him. Go ahead, Mr. Fisher, but get him to make some statements, too.

Mr. FISHER. We will, indeed, sir. I have substantially concluded my remarks.

Mr. THOMAS. You and our beloved colleague have a lot in common. You are men of few words.

Mr. FISHER. We ask one thing. We ask that this bill have a rider attached to it, which rider would direct the GSA or the appropriate agency to do what every patent association in the country and what the employees of the Patent Office themselves ask—to find a location and plan for a location within 10 miles of the center of the District.

STATEMENT OF MR. W. BROWN MORTON

Mr. BOLAND. Thank you very much for a very effective statement, Mr. Fisher.

Who is serving as the spokesman for the group that is here?

Mr. MORTON. I am Mr. Morton, sir.

Mr. BOLAND. W. Brown Morton. You serve as the spokesman. You are accompanied by a number of distinguished attorneys. We have a list of some of them. I know some others have been added. If you will identify for the record those who are with you and from whence they come, we would be delighted have their names in the record. Then you may go ahead with your statement, and you may be backed up by whatever facts you have which have not been developed.

We are delighted to have you, Mr. Morton. We understand it is a difficult problem, and we are glad to get the reaction of the Patent Law Association, the attorneys, and those who represent this field.

Mr. MORTON. My position, sir, is that of president, for the year, of the American Patent Law Association, which is a national organization with about 2,500 members in about 38 States.

In preparation for this hearing, and the valued time of the committee being of concern to us as well as to you, we have prepared a statement in writing, and I have given copies to each of you.

Mr. BOLAND. Insert that statement verbatim, and we will print it.
Mr. MORTON. I see no assistance to the committee in my reading it.
(Mr. Morton's statement follows:)

STATEMENT OF AMERICAN PATENT LAW ASSOCIATION ON PROPOSED RELOCATION OF U.S. PATENT OFFICE

The American Patent Law Association appreciates the time this committee has taken from its busy schedule to consider the merits of a single item of appropriation. The APLA urges however that the time this committee spends will prove well spent in view of the importance of the patent system to the public.

This association has consistently supported the need for a new building for the Patent Office. It has just as consistently opposed the relocation in sites such as specified in prospectus 49926 (revised). This opposition is based on the anticipated adverse effects of such a relocation on the patent system, inventors, and public alike.

Reviewing briefly our position, this committee is by now well aware of the publicized suggestions made in 1962 to move the Patent Office to the Bureau of Public Roads site in Langley, Va. This site, still available, is 7 miles from the present Patent Office and in March of that year the then Commissioner Ladd stated that this site would offer the best solution to the problem.

The original prospectus (49926) was released on January 31, 1963. It specified location "in an urban area other than Metropolitan Washington, D.C." The APLA Board of Managers on February 19, 1963, adopted a resolution opposing such a move and urged that the Patent Office be retained at the National Capital. The prospectus was amended without explanation on March 18, 1963, deleting the requirement of an urban site and substituting therefor "Howard or Anne Arundel Counties in the vicinity of the city of Baltimore."

On March 19, 1963, Commissioner Ladd spoke before a further meeting of the board of managers and discussed the proposed move. He stated that the area being considered was near Annapolis although some people were still urging the Langley site. He did not mention, and presumably did not know of, the revised prospectus dated the previous day. After Mr. Ladd left, Mr. Kane, the then president of APLA, was instructed to testify before the Subcommittee on Public Buildings and Grounds of the Senate Committee on Public Works urging the retention of the Patent Office in the District of Columbia and further stating that, should that ideal prove impossible of realization, this association would not oppose a site within reasonable commuting distance of the District. Mr. Kane so testified, with especial reference to the location at Langley, Va., at the hearing the following day.

In June 1964, the board of managers published a further resolution strongly opposing any location for the Patent Office more than 10 miles distant from the White House and again urging that sound public policy requires its retention within the National Capital.

The reasons why sound policy requires such retention were stated in the resolution: (1) current operations of the Patent Office are well known to be impaired by personnel problems and the further disruption and dispersal of its skilled, experienced, and expensively trained staff that would be the inevitable consequence of a move from Washington would be crippling to Patent Office efficiency; (2) a large body of the patent bar, exceeding 15 percent of the membership of this association is established in Washington, to render services vital to inventors, to research-minded industries, and to out-of-town counsel requiring close personal contact with the Patent Office, and a substantial hardship and inconvenience to these lawyers and their clients would result from a move from Washington; and (3) the Patent Office has extensive business with other Government offices and agencies and with lawyers, inventors, and members of the public generally who have to travel to it and no other location than Washington will enable the Patent Office to accomplish this business with equal economy and effectiveness.

Further, as a national association, representing over 2,500 lawyer members in 38 States, we stress the views of patent attorneys, 85 percent of whom live outside Metropolitan Washington, and the views of their clients and other users of the Patent Office, an even higher percentage of whom live outside the area. George Washington University conducted such a survey last year (Idea, fall 1964, p. 316 et seq.). Of those individuals, law firms, and corporations resident more than

240 miles from Washington, nearly 90 percent or 228 opposed the move to a site as required in the revised prospectus, while 20 favored it and 19 had other suggestions. The principal reasons given by these interested persons, all outside Washington, for opposing were inconvenience to out-of-town attorneys and consequent financial burden to their clients, inconvenience to Patent Office staff, and lack of proximity to other Government agencies.

It is acknowledged that a new building would take 5 years to build, even on the unsuitable site of the revised prospectus. A site within 10 miles of the White House might require an additional year or two to be added to this delay. This association urges however the difference between 5 and even 8 years in the present quarters will create far less detrimental impact on the patent system, will produce far less inefficient operation, and will do far more to decrease the eventual cost of obtaining promptly issued and more valid patents for the public, if the difference means the building where it belongs for the good of the system instead of a building on a site everyone concedes is no more than second best.

W. BROWN MORTON, JR.,
*President, American Patent Law Association.*

Mr. MORTON. We have circulated this exact statement also to our local association brethren around the country, and as of now, if my telephone communication with headquarters is up to date, we have had the statement approved by the appropriate offices of the San Diego, St. Louis, New York City, New Jersey, Connecticut, Los Angeles, Eastern New York, San Francisco, Houston, Toledo, and Chicago groups. In addition, spokesmen are here from other local groups.

Mr. THOMAS. Did you get Tom Arnold lined up?

Mr. MORTON. We have a telegram from Tom Arnold, Mr. Chairman, written with admirable Texas picturesqueness. I am sure you will appreciate it.

Mr. THOMAS. Mr. Fisher read a telegram from Tom which is already in the record.

Mr. FISHER. I have submitted it to the clerk.

Mr. JOANS. How many patents are applied for in a year?

Mr. MORTON. Something over 80,000 at the current rate.

The basic problem which confronts us, in our view, is what we consider unsuitable choice of a remotely, at best, located site for the Patent Office, which apparently is the desire of the Department of Commerce, for inadequate reasons as we see it. In our view, the nature of the Patent Office, the relationship to the public, not only the bar but the members of the public who are inventors, the users of the patent system, both from the point of view of searching to see whether existing patents and obtaining patents, requires an urban location. As a national association, as opposed to the District of Columbia and the like, I would be compelled to say in my judgment, speaking for our association, that while we think within 10 miles of the White House is the best urban location we can find, as I wrote Senator Tydings, we do not see why——

Mr. JONAS. What is your home town, Judge?

Mr. MORTON. I live in Alexandria, Va. My firm is in New York and Washington.

Mr. BOLAND. In New York it would be 40 miles away.

Mr. MORTON. I do not think the commuting distance is the realistic criterion, sir, because we are talking about the business after you get there. Certainly my partners in New York who do commute from Long Island, Connecticut, and New Jersey, do so to come to New York

where business is done in an urban location. It is irrelevant to say it might be pleasant to live in Maryland or Virginia or Reston, Va., and commute to Washington when you have to, because we are talking about working, not living. The only central place is the center of any city.

One of the supporting organizations, the St. Louis Bar Association, wanted it understood that, rather than move to rural Maryland, they would prefer to go to Denver. I note, Mr. Chairman, they did not mention St. Louis. So I am sure they would accept that.

Mr. THOMAS. I bet you Mr. Tom Curtis would be in favor of it.

Mr. MORTON. We do feel very strongly that the difficulty is the added expense to the users of the patent system from added lawyers bills because the services the lawyers render will be more expensive to render.

(Off the record.)

Mr. JONAS. Tell us exactly where is this location which is proposed.

Mr. MORTON. The location, which we understand is substantially decided upon, if approved by the Congress, is in a new so-called satellite city to be known as Columbia, Md., which is in Howard County, west of Baltimore.

Mr. BOLAND. How many miles from here?

Mr. MORTON. From here, I think it is about 40 miles. The beltway system does not give access to it. The new highway system that is supposed eventually to give us express communication with it has not yet been constructed. It is in a location roughly comparable to the city known as Reston being built in Virginia.

Mr. BOLAND. How far from Baltimore is it?

Mr. MORTON. It is only about 16 or 18 miles, I think, from Baltimore. I may say that I was amazed to understand that the Baltimore & Ohio Railroad offered to give the Federal Government an adequate site in downtown Baltimore, but that was turned down.

Mr. BOLAND. We will be concerned about the transportation costs. Mr. Fisher mentioned them. We would like them broken down. The transportation costs involve specifically what?

Mr. MORTON. It involves the necessity of either locating your office at the Patent Office, which will be at this remote site, and traveling back to Washington——

Mr. FISHER. I was referring to the Government's transportation. Mr. Dunner has a breakdown on that.

Mr. MORTON. Mr. Dunner has worked out a breakdown in this more elaborate report. The Government's cost is that the Government personnel who have to deal with the Patent Office in the role of patent lawyers have to go to the Patent Office.

Mr. THOMAS. You mean the role of the patent lawyer, not the employees of the Office?

Mr. MORTON. Also the employees.

Mr. THOMAS. The employees of the Office live in the adjoining area. There would not be any added expense to that. You may have a point about the Government lawyers. Who would be concerned? Defense? NASA?

Mr. MORTON. Defense and NASA specifically.

Mr. THOMAS. AEC?

Mr. MORTON. AEC; Health, Education, and Welfare. All of these agencies which are concerned with research and development have occasion quite frequently to visit the Patent Office.

Mr. THOMAS. They already have transportation. It would add a few more miles.

Mr. MORTON. Another difficulty is that the statute requires many private inventions to be handled as secret inventions and the applications have to be submitted for clearance by military agencies and the like, before they become nonsecret. So, there is a necessity for constant liaison between the Patent Office and a variety of agencies of the Government.

Mr. THOMAS. That would be a small cost. It would be far less than one-tenth of the figure you mentioned, but it is an element of cost to be considered; $40,000 or $50,000 would cover it. That would be my guess.

Mr. MORTON. The Commissioner has developed these figures, and of course I would have no way of going back of his accuracy, Mr. Chairman. Certainly, we know that it would cost our people—by that I mean our clients——

Mr. JONAS. In addition to the cost of travel, what else?

Mr. MORTON. Just sheer time wasted, which in a sense is the same thing as cost.

Mr. JONAS. What reason is there to have the Patent Office close to other Government agencies, other than the savings in transportation? Is there any liaison?

Mr. MORTON. As I was indicating, sir, in the area where you have applications to patent inventions which are subject to the statutory secrecy provisions, there is the necessity for liaison.

Mr. JONAS. Litigation?

Mr. MORTON. Litigation, of course, is involved. The Commissioner of Patents has a staff and conducts his own litigation, as I am sure the committee knows, not through the Attorney General, but directly through the Solicitor's Office of the Patent Office. That court is, of course, the Court of Customs and Patent Appeals and, of course, the District Court for the District of Columbia, which of course are located in new buildings here in the District. That entire solicitor's staff will have to have two offices, two hats, so to speak.

Mr. JONAS. Did you make any of these recommendations before the legislative committees? Were hearings held?

Mr. MORTON. A hearing was held. The only hearing I know about that has been held on this specific point was held a couple of years ago before the Subcommittee on Buildings and Grounds of the Senate Committee on Public Works. At that time my predecessor in the office I now hold as president of the association testified in favor of the building, which then was in issue. I understand that issue has been resolved.

Mr. JONAS. You did not testify before the legislative committee on the question of location. Was a hearing held?

Mr. MORTON. I do not think any was held. None was held, sir, as far as I know.

Mr. BOLAND. Was the association consulted by the Patent Office itself with respect to the location of the new building?

Mr. MORTON. Yes, sir, and that is explained in my statement. The then-Commissioner of Patents, Mr. David Ladd, appointed by President Kennedy, came to a meeting of our Board of Managers and testified at some length before the Senate. At the time the site contemplated was at Langley, the Bureau of Public Roads site belonging to the Federal Government, adjacent to the CIA. That is located near the Washington Airport. Our association takes the position that anything that close in is, in effect, downtown. Obviously, the Pentagon is in downtown Washington. So is the National Airport. So, for that matter, is the CIA. This consideration does not apply to the Columbia site in Maryland. At that time we indicated we were satisfied with the proposal to move to the Public Roads Bureau site at Langley, which is only 7 miles from the White House. Our position is that roughly 10 miles is the gage of what would be acceptable.

Mr. BOLAND. Was your association aware of the fact that the Public Works Legislative Committee of the House was interested in putting it in Howard or Anne Arundel County?

Mr. MORTON. We were not at that time.

Mr. BOLAND. You never had an opportunity to appear before that committee?

Mr. MORTON. No, sir. The GSA prospectus currently under consideration was amended the day before Mr. Kane, my predecessor, testified and the day after the Commissioner appeared before our board. I doubt the Commissioner had any knowledge of the change. So, the prospectus with respect to which my predecessor did testify in the Senate did not require location in these counties.

Mr. THOMAS. Did you gentlemen request a hearing before the Public Works Committee of the House?

Mr. DUNNER. Yes, sir.

Mr. THOMAS. Gentlemen, this is the former Commission and one of our distinguished patent lawyers of the country, an able and fine citizen. He served as Commissioner for 8 or 9 years.

Come over, Judge, and sit down and talk to us.

Mr. WATSON. Mr. Chairman and members of the committee:

On the last point which was raised——

Mr. THOMAS. Before you go into your statement, did you request a hearing before the Public Works Committee?

Mr. MORTON. The American Patent Law Association did not.

Mr. THOMAS. What is wrong with requesting one?

Mr. MORTON. We did not know the matter was before them until action had been taken.

Mr. JONAS. You did not know the question of specific location was being decided. Is that what you mean?

Mr. MORTON. That is exactly what I mean.

Mr. THOMAS. I should not think that committee would deny you a hearing. You must not have got your request in, because there are no finer men in the House than that crowd. They do not want to deny you a hearing. Did you request one at any time?

Mr. WATSON. I was going to speak to that point.

When we became aware of the action of the Senate Committee on Public Buildings, and being in complete disagreement with the idea of removal of the Patent Office to a distant site, the chairman of our

committee, Mr. Palmer, who is seated behind me, and I visited the chairman of the House Committee on Public Buildings and spent some time with him going over the situation, leaving with him documents which we had. When we left, we were of one mind, that there would be no hearing in the House unless we had an opportunity to appear and to give our testimony, which we had been denied in the Senate, not knowing of the hearings.

To our dismay, we learned at a later time that there was no hearing; that they had approved the Senate bill, and we had no opportunity whatsoever to present our views to the Public Buildings Committee of the House.

Mr. JONAS. Did you mean that you had that conference with the chairman of the Public Works Committee or the chairman of the subcommittee?

Mr. WATSON. With the chairman of the subcommittee. That was an error. With the chairman of the subcommittee.

We were very much disappointed.

STATEMENT OF ROBERT C. WATSON

Mr. BOLAND. Mr. Watson, we will insert your statement in the record and then we will be delighted if you would talk to us.

(The statement follows:)

STATEMENT OF ROBERT C. WATSON, FORMER COMMISSIONER OF PATENTS (1953–61), ON PROPOSED RELOCATION OF THE U.S. PATENT OFFICE

The members of this subcommittee are, of course, familiar with the fact that U.S. patents are not only obtainable by U.S. citizens but are issued to inventors wherever located and that, as a matter of statistics, large numbers of appplications for patents are transmitted to this country from abroad each year and large numbers of patents are issued to foreigners, wherever they may be located. From the very beginning, when President Washington recommended to the Congress in 1790, that potential inventors be encouraged by suitable cogressional enactment to spend the time and treasure necessary to bring forth innovations, one of his concepts was to the effect that our economy would be greatly benefited by the receipt of inventive ideas developed abroad.

In February of this year the U.S. Department of Commerce issued a publication entitled "International Commerce" intended to show statistically the "Flow of patent applications between the United States and other countries," and giving these statistics in both tabular and chart form. Several copies of this publication are being supplied for the convenience of the members of the subcommittee.

The diagram which appears on the first page makes clear the fact that there is a heavy exchange of patent applications between the United States and eight other countries, for instance, American inventors or their assignees transmitting in 1963 over 9,000 applications to Germany, and German inventors or their assignees transmitting in 1964, nearly 5,000 applications to the United States. On page 3 it is shown that during 1964 the U.S. Patent Office received from American inventors over 67,000 applications and also received from foreign inventors well over 20,000 applications or 23½ percent of all the applications received in the U.S. Patent Office in that year. It is also shown in this same tabulation on page 3 that the percentage of foreign-filed applications has increased since 1960 and it is the writer's recollection that in 1953 the percentage of applications of foreign origin was approximately 16 percent. Perusal of the text of the article by the Assistant Commissioner of Patents, Horace B. Fay, Jr., will make it altogether clear that the international transmission of patent applications from country to country is on the increase. There is no reason to believe that the trend will be otherwise in the future, secientific discoveries and tech-

nological contributions being developed in an increasing number of countries of the world and also increasing in each individual country as science and technology there advances. In this manner technological innovation is communicated and higher standards of living for all of the world's citizens established.

The members of the subcommittee will appreciate the significance of this increasing international interchange of science and technology and will no doubt wish to have it continued and increased for the benefit of all. Attention is called to the fact that, while patent applications go forward from country to country by mail they must be deposited in the receiving patent offices by persons who are entitled to practice before those offices, i.e., local counsel. There is nevertheless an increasing visitation of inventors and/or their patent counsel from their home countries to other countries in which applications for patents are being prosecuted for the purpose of presenting facts and arguments orally. In the U.S. Patent Office, for instance, great emphasis is now laid on the conference method of bringing about early allowance of patent applications, the Patent Office examiners frequently requesting visits from attorneys who are responsible for the prosecution of applications under examination, for the purpose of conferring and solving difficulties which are more easily solved by discussions than by correspondence. This has always been the practice and the writer, as a practitioner, has had the experience of visiting numerous foreign countries on behalf of U.S. clients, seeking to expedite the issuance of patents in the several countries visited.

The reverse is true. Attorneys, practitioners, and inventors located in other countries visit the United States upon occasion for the purpose of conferring with local counsel in this country and visiting the Patent Office for exploratory and helpful discussions with U.S. patent examiners. There can be little doubt that, in the future such visits will increase in frequency so that we may expect both local counsel and foreign counsel with, sometimes, foreign inventors, to visit the U.S. Patent Office in substantial numbers.

It is obvious therefore that the specific location of the Patent Office is an important consideration, timewise and costwise, to both local counsel and foreign counsel, and inventors who wish, or believe it essential, to personally contact members of the U.S. Patent Office examining staff. Removal of the Patent Office from Washington will undoubtedly cost the foreign inventor, or his backer, more in dollars and time lost than would be the case were the Patent Office to remain in the District of Columbia. We believe that many of those who come from abroad for such conferences will come to Washington in the first instance, wherever the Patent Office will be located, certainly when local counsel is located here. Local patent practitioners, it is believed, are not going to move from Washington to a distant site, even if the Patent Office is moved, the average local practitioner engaging not only in patent work but representing clients before other governmental bureaus and departments. Obviously time will be lost and cost increased by such a move.

The brochure to which reference has been made indicates that there are about 100 patent issuing countries. It is believed to be entirely probable that the officials of those countries who are charged with the duty of considering patent applications and issuing patents are located in the capital cities of practically all those countries. Certainly this is true of all the principal patent issuing countries except Germany. Berlin was the site of the German Patent Office until World War II and its present location in Munich was chosen for reasons not associated with the convenience of inventors and their attorneys. The writer has personally visited some 20 countries and, with the exception of Germany, has found that the patent offices of those countries are located in their capital cites. This is true even of the Iron Curtain countries, Poland and Russia, each of which the writer has visited, spending a considerable length of time talking international patent relations with the local authorities in Poland, in the capital city of Warsaw, and in Russia, in its capital, Moscow.

It would seem that other countries appreciate that the bureau responsibile for the processing of patent applications and the issuance of patents should be located in close association with the courts, and with the governmental bureaus and supervisory authorities with which it makes frequent contact, and it would be indeed surprising to all of the persons in the several regions of the world who are concerned in one way or another with the processing of applications and the issuance of patents, to perceive that, in the United States, whose economy

has been in very large part developed as a result of the successful operation of the most effective patent system in the world, the Patent Office has been relegated to an obscure locality. In other words, movement of the U.S. Patent Office out of the District of Columbia will, if it happens, be a conspicuous notification to all, both here and abroad, of the fact that it is no longer as highly regarded as it has been up until this time.

A final thought. Some millions of people visit the District of Columbia each year, particularly, young men and women who are undergoing schooling and anxious to learn how our Government functions and where its various departments and Bureaus are located. In 1 year for instanace some 9 million people visit the Smithsonian Institute to observe the models and relics of the past. The Patent Office has always suffered because of lack of public space in which to exhibit models of inventions which have revolutionized technology in the United States and is badly in need of a new building in which such space is provided, an exhibit hall, for instance, such as that provided in the new National Geographic Society building. Such a building, located in Washington where the visitors could see important patented technological developments of the past, and would learn of the nature and manner of functioning of the patent system, would be a magnificent investment in means to promote the public interest. If such a building were located outside the District of Columbia none of these visitors would ever see it and the great opportunity to inform new generations of potential inventors of the merits of the patent system will be lost.

Mr. WATSON. Mr. Chairman, I appear on my own behalf and as former Commissioner. However, I endorse that which has already been said. I endorse the statements which are made in the extensive brochure which has been supplied, I believe, to each member of the committee. I have prepared a statement on my own behalf, and I have brought with me a few exhibits in the nature of publications issued by the Department of Commerce, one for each member of the committee.

I will confine my remarks to a brief statement on each of two aspects of the problem, which will probably not be touched upon by those who will come after me who will advise you dollars and cents wise. These are aspects which are dear to my heart, having been a patent lawyer all of my life and having served in the Patent Office from 1953 to 1961.

There is an educational aspect to this matter of the relocation of the Patent Office. I favor not a Patent Office located 10 miles from the center of the city, but a Patent Office located in a prominent place right in the city. It always has been that way since 1836 when the Patent Office was established, and a suitable building of dignified character was built at the corner of 9th and G Streets.

Now it is more important than ever with the timely effort to educate all American citizens to make such use as we can of the means at our disposal to educate the new potential inventors who come on, generation after generation after generation.

There was a time when almost everybody in the United States was well aware of the fact that we had a Patent Office by reason of the screaming headlines that were gotten out by the advertising patent attorneys, which were disseminated through all the magazines and newspapers of the country. Fortunately, we were able to put an end to that. The Patent Office now works very quietly, and the method of its operation is not known to these young potential inventors who reach maturity each year.

We have established in the Patent Office in the past the Office of Information Services, which office struggles valiantly, through the dissemination of proper literature, to tell everyone who has the capacity to make an invention, how to proceed to get a patent. But those

efforts could be supplemented in a major respect if it were possible for us to have a large building centrally located, with a large space for exhibits, which would be visible to the millions of people who come to the District of Columbia every year. Some 9 million go through the Smithsonian every year.

I will pass to the second point which I had intended to discuss.

We are dealing not with a local problem; we are dealing with an international problem. It is not only a national problem, but also an international problem. The percentage of applications for patents received from abroad is at an alltime high, amounting to 23.6 percent of all the applications filed in this country. Those inventors who are soliciting from abroad, patents in the United States, are very frequently visitors to this country, with their solicitors, and they would like to visit the Capital City where not only the Patent Office is located but also all the courts which deal with the immediate problems of the Patent Office, and the Department of which the Patent Office is a bureau. They will be disappointed, I am sure. There will be an adverse international effect, in my opinion, if they were shunted off to some other location.

During the time I served as commissioner, which was for 8 years, I frequently went to Europe and, when there, visited patent offices of various countries. I never went to a European patent office which was not located in the capital city of the country visited. There are 100 patent-issuing countries now, as you will see from the pamphlet which I have submitted. In each one, so far as my knowledge goes, the patent office is located in the capital city where almost everything else of a governmental nature is concentrated. It would be a great step backward if we were to relegate our Patent Office to some remote city. Therefore, I ask you to give some consideration to the fact that the patent system is changing. We are getting into a worldwide situation and we are not concerned here with just a local problem.

I have even been as far as Moscow and talked for a week with their committee on inventions and discoveries about their situation. I have been in Poland. I have been in all the countries of Europe. The situation is the same in each one of them. The patent office is in a central location in the capital city.

To my way of thinking, it would be a great mistake to exile the Patent Office in this country.

Thank you very much, gentlemen.

Mr. BOLAND. Thank you very much.

Have you a statement, Mr. Dunner?

STATEMENT OF MR. DONALD R. DUNNER

Mr. DUNNER. My name is Donald Dunner. I am chairman of the Patent, Trademark, and Copyright Law Section of the District of Columbia Bar Association, and I am authorized to speak on behalf of the bar association.

I have a statement which I would like to have included in the record, if I may.

(Mr. Dunner's prepared statement follows:)

STATEMENT OF THE POSITION OF THE BAR ASSOCIATION OF THE DISTRICT OF COLUMBIA CONCERNING THE LOCATION OF NEW PATENT OFFICE BUILDING

The Bar Association of the District of Columbia is opposed to the proposal to construct a new Patent Office building near Baltimore, in either Howard or Anne Arundel County, Md. ("Prospectus for Proposed Construction Under the Public Buildings Act of 1959" (project No. 49926)—(Revised).) It is the considered opinion of our association that the construction of a new Patent Office building at such a site would have a detrimental effect on the operations of the Patent Office and on the broad public interest. It is our further belief that any advantages hoped to be realized by the saving in time effected by relocation in a remote area, which conceivably might be several years, are far outweighed by the disadvantages to be realized during the next 50 years (the expected life of the new building) if the building be located out of Washington.

Our reasons for adhering to this position follow:[1]

1. The Patent Office professional staff is presently suffering an approximate 20-percent turnover of examiners each year. Moving the Patent Office to a site in the vicinity of Baltimore would, in our considered opinion, give a severe jolt to such retention. Support for this conclusion is found in a recent survey conducted by the Patent Office Professional Association to which a total of 886 professional employees (of approximately 1,200 employed by the Patent Office) responded. Almost 60 percent of those responding indicated they would not accept the location of a new Patent Office building in Howard or Anne Arundel County and 50 percent of those responding indicated they would seek other employment if the Patent Office were to relocate in a location which they strongly opposed. These figures should be viewed in conjunction with the views of a spokesman for Patent Office Lodge No. 650, American Federation of Government Employees, who stated that his "union estimated that removal of the [Patent Office] from Washington would result in loss of 75 percent of nonprofessional employees and loss of many hard-to-find professional staff members [Patent Examiners]" (see the Evening Star of May 1, 1964). In short, construction of a new Patent Office building in the vicinity of Baltimore is clearly calculated to result in the loss of the very staff which the GSA prospectus describes as "technically and legally unique," as well as their supporting nontechnical personnel. The reasonably to be expected loss of personnel and confusion resulting from such a move can extend over a period of at least several years in the foreseeable future, creating both "excessive cost" and "significant loss of efficiency," both of which are inconsistent with the criteria laid down in Executive Order 11035, which deals with the management of Federal office space.

2. (*a*) It is well known that the ability to attend accredited and well-regarded law schools after working hours has been a critical factor in the employment of technically qualified patent examiners. Because the great bulk of patent examiners in the past have attended night law school while employed by the Patent Office, Washington law schools have developed a night school curriculum which is unequaled in the country in its excellence in patent and related courses while providing an equally well structured program in general legal matters. These patent-oriented programs have been developed only after a long and painstaking process and much of their success is based upon the ability of the Washington, D.C., law schools to draw professors of the highest caliber from the ranks of the local patent bar, the judiciary, Government agencies, and the Patent and the Copyright Offices.

(b) The location of the new Patent Office building in Howard or Anne Arundel County would be bound to have an adverse effect on the Patent Office recruitment problems in light of the foregoing since facilities comparable to those available in the District of Columbia are not presently readily accessible to such counties (including those presently available in Baltimore) and are not likely to be available as a result of the lack of concentration of the type of talent which is available in the District of Columbia.

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[1] These reasons have been set forth in great detail in a comprehensive report prepared by the ad hoc Committee on Patent Office Location of the patent, trademark, and copyright law section of this association. A copy of this report has been made available to each member of this subcommittee.

(c) The recruitment difficulties which the Patent Office can expect to face as the result of the rural Maryland location of a new Patent Office building are illustrated by a recent survey conducted by our association in which 139 patent students attending night law school at 3 major law schools in the District of Columbia participated. Of 67 present patent examiners and 19 former examiners responding, 85 of the 86 stated that the opportunity to attend an accredited evening law school was a factor in their taking employment as a patent examiner with the Patent Office. In addition, 72 of the 86 stated that location of the Patent Office outside of the Washington metropolitan area without ready access to an accredited law school would have adversely affected their decision, making them negative to taking employment as an examiner with the Patent Office.

(d) As a result of the foregoing, it is clear that, far from ameliorating the employee attrition problem which has been faced in the past by the Patent Office, the proposed removal of the Patent Office to Howard or Anne Arundel County would only serve to compound this problem.

3. By statute, the Patent Office must work closely with the Department of Defense, National Aeronautics and Space Administration, Atomic Energy Commission, Department of Agriculture, and Department of Health, Education, and Welfare in handling day-to-day patent business and location of the new Patent Office building as close to the present site as possible will provide highest efficiency for these interdepartmental operations. There are many other agencies which continually conduct business with the Patent Office or who must be consulted by attorneys and other persons using the Patent Office service including Federal Aviation Agency, Federal Communications Commission, Federal Trade Commission, Department of the Interior, Department of Justice, National Bureau of Standards, National Institutes of Health, National Security Agency, and the White House. Still further, the work of the Patent Office is inextricably connected to the Court of Customs and Patent Appeals, the Federal District Court and Court of Appeals for the District of Columbia and the Department of Justice, all of which are located in downtown Washington, D.C. Our association has estimated that, as a result of the interrelationship between the Patent Office and such other governmental agencies as the above, the removal of the Patent Office to Howard or Anne Arundel County will result in an annual increase in cost to the Government in terms of man-hour cost and interdepartmental travel of in excess of $580,000 annually. When extended over the expected lifespan of the new building, this figure reaches about $30 million.

4. The annual cost of operation of the Patent Office to the Government and the cost of utilization of its services by inventors, their attorneys, and Government agencies will also be measurably greater at a rural Maryland location under GSA Proposal 49926 (revised) than at any site within the District of Columbia. Increased costs for transportation of the great flow of work between the Patent Office and the Government Printing Office and higher phone and other utility costs are only some of the items that would result in increased annual operational costs which, when spread over an expected life of at least 50 years for the new building, would greatly exceed any initial savings of land costs that might be realized on a site selected under GSA Proposal 49926 (revised). This item alone should require that a thorough factual study of the matter be made before the Government becomes tied to planning and construction of the new building in Howard or Anne Arundel County.

5. The Patent Office employees at present total approximately 2,500. Of these, approximately one-half or 1,250 are of a grade level receiving $5,000 or less. A survey made by a transportation consultant on behalf of our association revealed that even after 1970 there will be no well-developed mass transportation serving the Columbia City site in Howard County for the new Patent Office building. Consequently, the Patent Office employees will need to rely upon private automobile transportation. The consultant survey showed that average weighted costs for portal-to-portal travel to Patent Office employees will increase about $660,000 annually. The greatest burden will fall on that one-half of the employees at the lower pay range because of their inability to afford multiple-family automobiles for this purpose.

6. The proposed removal of the Patent Office to Howard or Anne Arundel County would produce a tremendous upheaval to the heavy concentration of patent attorneys, agents, researchers, scientific and semiprofessional personnel whose operations are directly tied to the Patent Office and who have offices in

Washington, D.C. (some of whose practices have been established in Washington for decades), as well as supporting business facilities, e.g., draftsmen, photolitographers, printers, stores, restaurants, and the like. More importantly, however, the proposed move to Howard or Anne Arundel County would significantly affect the cost of operation of patent firms, the inevitable result of which will be significantly increased costs to the inventor. This conclusion is amply supported by a survey recently conducted by our association, in the course of which 50 questionnaires were sent to patent firms and corporate patent departments in the District of Columbia, 46 of such questionnaires having been returned. This survey revealed that the location of a new Patent Office building in Howard or Anne Arundel County would be likely to increase overhead an average of 16 percent with an estimated increase in the cost of services to clients (or company as the case may be) of approximately 15 percent. To say the least, such an increase in the cost of services to inventors would be an unreasonable burden under the circumstances.

7. The Patent Office houses one of the largest and most complete technical libraries in the world which should be retained as close to the Library of Congress as possible for the efficient use of those two great repositories of human knowledge.

8. A move to Howard or Anne Arundel County is contrary to the long-term plans for development of the National Capital area high-speed transportation systems, including Dulles Airport, and will not provide optimal transportation services for the nationwide clientele of the Patent Office, i.e., inventors, patent lawyers, scientists, and researchers, now or in the future.

In view of the foregoing, this association urges this subcommittee to eliminate from the independent offices appropriations bill for 1966 the sum of $1,500,000, which sum we understand has been requested for site and planning for a new Patent Office building in Howard or Anne Arundel County in the State of Maryland. This association further asks this committee to make the record show that no funds have been appropriated for a new Patent Office building outside of the District of Columbia.

Sincerely,

DONALD R. DUNNER,
*Chairman, Patent, Trademark and Copyright Law Section.*

Mr. DUNNER. Mr. Chairman, I was going to make a few preliminary remarks. I will eliminate them in the interest of saving time and in deference to you and to the committee.

I would like to direct my comments immediately to certain points which were discussed before but which I think require some elaboration.

I have two charts here, copies of which are in a report which our ad hoc committee has distributed to you.

This first chart illustrates Washington institutions which are visited by Patent Office personnel. This black square with the white dot in the center represents the location of the Patent Office. The red dots represent locations of institutions which are visited by Patent Office personnel.

The Patent Office by law is required to have constant contact with the AEC, NASA, Department of Defense, and other agencies. According to figures, statistics given us by the present Commissioner of Patents, Commissioner Brenner, there are 1,718 yearly visits made by Patent Office personnel to these red dots. As you can see, they are all in a cluster located approximately within 2 miles from the Patent Office, with minor exceptions on the fringe and with the exception of the Pentagon, which is just 15 minutes away.

I have here another chart showing visits to the Patent Office by Government employees, both Government attorneys and nonattorneys. You can see, again, the Patent Office, and there are many more red

dots here. Practically all of the people who go to the Patent Office are located within a 2-mile radius of the Patent Office.

The figures which are involved here are not minor figures. There are in excess of 16,000 man-visits per year made by Government attorneys to the Patent Office. There are in excess of 5,500 man-visits per year made by non-Government attorneys. In our ad hoc committee report, a copy of which was given to each of you, we have figures which make clear—these are by conservative estimates—that the increased cost to the Government of a Columbia City site, merely by way of example, would not be $50,000 a year but $580,000 a year.

Mr. THOMAS. You do not know this committee, Judge. We handle travel money in here, too.

Mr. DUNNER. I would love to have that much travel money.

Mr. THOMAS. So would they.

Mr. DUNNER. The amount involved comes to $30 million over the estimated 50-year life of the new building. We think that is a significant sum. We hope you will think so, too.

We also have estimated—again, the figures are in this report, and it is based on a transportation survey which we had prepared by an expert transportation analyst—that the added cost to Patent Office employees in travel costs alone will be over two-thirds of a million dollars per year.

Mr. THOMAS. How did you arrive at that figure? You are talking about something that we know a little something about. Tell us how in the world you arrived at that figure. These people live here in the area. We do not pay their transportation costs to work now. Why should we pay them if they move 5 or 10 or 15 or 20 miles away? They would live in Maryland and Virginia. They do not all live in the District of Columbia. Where do you get any such figures as that?

Mr. DUNNER. The answer is that in connection with the first figure, the $580,000 figure, these are figures which are involved in man-hours of additional time spent and transportation costs for work to the Patent Office, not from home to the Patent Office.

Mr. THOMAS. Is it not all paid on an annual basis, anyway? Do yon know any of them who are overworked over there?

Mr. DUNNER. Sir, the people I know working with these agencies are hard workers. I have no reason to believe——

Mr. THOMAS. We think they are all hard workers. But they are not overworked. Let them get a little recreation.

Mr. BOLAND. Why do you not put that figure in the record? You were discussing a figure on the costs.

Mr. DUNNER. The $580,000 figure we submit would be the increased cost to the Government resulting from a Columbia City site which has been the most prominently mentioned site in Howard County, resulting from increased man-hours and travel time in connection with trips made by Government employees to the Patent Office and vice versa, in connection with the agency interrelationships which are not only required by law but are carried on every day. We estimate, on the basis of a transportation survey which was conducted by a professional consultant, that the added travel costs of Patent Office employees to a Columbia City site would be about $660,000 per year. That figure was reached on the basis of an assumption that there would be car pooling.

The figures were conservative. Costs per one-way trip and round trip were estimated. Costs for round trip to the new site were estimated. The figures used, as I understand it—and these will bear analysis—were based upon conventional transportation techniques, survey techniques. They are all in this record, copies of which have been furnished to the committee.

Mr. JONAS. Why is there so much travel necessary by Patent Office employees to these outside agencies? What is the nature of that travel?

Mr. DUNNER. Just looking at this list, here is an example, the Court of Appeals of the District of Columbia. The Solicitor's Office of the Patent Office handles cases on behalf of the Commissioner of Patents which are handled in the Court of Appeals of the District of Columbia, the District Court for the District of Columbia, and the Court of Customs and Patent Appeals, all of which sit in Washington, D.C. Whenever a question of certiorari to the Supreme Court is raised, and there have been several, a member of the Solicitor's Office in the Patent Office must go over to the Justice Department.

By statute the Patent Office is required to cooperate closely with the Secretary of Health, Education, and Welfare in connection with drug applications.

Mr. JONAS. Why does that require travel from the Patent Office to HEW? I can see it would be in reverse, but why is it necessary to have so much travel by HEW employees?

Mr. DUNNER. Sir, my answer to that is that I do not know exactly why this travel is required, but these figures were obtained from the Commissioner of Patents, who indicates that these are in fact trips that were made. I am not certain exactly in a given case why a given man would visit one agency or another.

Going in the other direction, the reason that these trips are made is that attorneys for the Government handle patent matter just as private attorneys do. The Government filed well over 2,000 patent applications last year, requiring its attorneys to search the applications in the Patent Office search room, requiring them to have interviews with examiners and to conduct prosecution the way conventional private attorneys do so.

Finally, a point which was made I think requires a supplemental comment. The point was made that an increased cost would result to law firms and to inventors. We have conducted a survey, the Bar Association of the District of Columbia has, in which we sent out 50 questionnaires, one to a firm and/or corporation patent department, and the estimate came back, which I think is extremely conservative, that the overhead cost to clients would increase at least 15 percent. That is an average figure.

Mr. THOMAS. Judge, could you let us interrupt you briefly?

Mr. DUNNER. Yes, sir.

Mr. THOMAS. Would you favor the Patent Office carrying its own weight on a break-even basis by raising the fees? You know, a lot of us around here think all the agencies particularly the regulatory agencies, ought to carry their own weight.

Mr. DUNNER. Our Bar Association came up almost unanimously in favor of the McClellan bill which was passed, with modifications.

We supported certain modifications of the Tydings bill, which we thought should supplement the McClellan bill.

Mr. THOMAS. When Judge Watson was Commissioner of Patents did we not give him authority to raise the fees to break even? What is your answer?

Mr. DUNNER. Sir, we have supported the administration bill which favors a 75 percent recovery of cost. That is the most that any member of the administration has ever requested and we have essentially supported that bill; yes, sir.

Mr. MORTON. On behalf of the American Patent Law Association, we supported the administration bill before the Senate, too.

Mr. THOMAS. That was recently?

Mr. MORTON. About 3 weeks ago.

Mr. JONAS. What, if any, public transportation exists between Washington, D.C., and the Columbia City area?

Mr. DUNNER. At the present time I do not think there is any significant public transportation to or between the Columbia City site and the downtown Washington area. I can only assume if the Columbia site were selected there would be some kind of shuttle service such as exists between the AEC and the District of Columbia.

Mr. JONAS. There is not any public transportation now?

Mr. DUNNER. There is no significant public service at the present time.

I would like to mention one other very significant point. One of the primary reasons advanced by Dr. Hollomon and others in the Commerce Department for the type of location that is being talked about in Columbia City or in other sites in Howard or Anne Arundel Counties, is that it is felt it is necessary to eliminate the tremendous attrition problem of the Patent Office in losing about 20 percent of its employees a year. I submit a move would increase the attrition problem. I think most of us would agree that one of the primary reasons why the Patent Office is able to get high-caliber employees is because of the excellence of the law schools in the city of Washington. There is not only the George Washington and Georgetown University Law Schools but the American University Law School, which has developed a curriculum which enables people in the Patent Office to work during the day and attend evening classes and get an excellent patent education.

Mr. BOLAND. How many go to law school now?

Mr. DUNNER. 270: I have that figure from the Commissioner.

The law schools are able to draw from the Court of Patent Appeals, Judge Rich and Judge Martin, and also senior examiners in the Patent Office and in the Copyright Office teach at the present time. I submit they would never come to Columbia City. It is wholly impractical to develop a law school faculty or institution unless you have a sufficient number of students going there. The law school has to be accredited by the American Association of Law Schools. The law schools in Baltimore are not comparable to the Washington law schools and a survey which we conducted showed that most patent law firms would remain downtown in Washington, although they might set up alternative offices. So they would not have the talent to draw on.

Traveling by car from Columbia City to Washington would take a minimum of 45 minutes on the road, and adding 15 minutes to park you have well over 1 hour to get from the Patent Office to the law school at night. The classes start at 6 o'clock or 6:15 at the latest. This is a requirement imposed by the American Association of Law Schools, that an evening school will not be accredited unless classes start by 6 o'clock.

Mr. BOLAND. You have made a good point and that is in the record. We would like to move on. We appreciate your statement.

Mr. THOMAS. We have the idea that this group has pretty definite ideas where the Patent Office should be located. These statements have all been good.

Mr. BOLAND. Thank you, Mr. Dunner.

Mr. DUNNER. Thank you.

STATEMENT OF MR. MARK M. NEWMAN

Mr. NEWMAN. Mr. Chairman, my name is Mark M. Newman. I am a patent examiner in the Patent Office and am here on annual leave. I am chairman of the legislative committee of the Patent Office Society, and appear here today at their direction. I would like to insert the statement in the record.

Mr. BOLAND. The statement will be made a part of the record at this point.

(The statement follows:)

STATEMENT OF MARK M. NEWMAN ON BEHALF OF THE PATENT OFFICE SOCIETY RELATING TO APPROPRIATION OF MONEYS FOR A NEW PATENT OFFICE BUILDING

Mr. Chairman and members of the subcommittee, my name is Mark Newman. I am an acting supervisory primary examiner in the U.S. Patent Office and I am on annual leave today. As chairman of the legislative committee of the Patent Office Society, I appear here today by direction of the executive committee of the Patent Office Society. The society would like to express its appreciation to the subcommittee for being able to present its views today. As you know, the Patent Office Society is devoted to promoting the professional development of patent examiners and the improvement of the U.S. patent system. Over 1,040 patent examiners and other Patent Office professionals are members of the society. This is approximately 90 percent of the total number of professional employees in the Patent Office.

The executive committee of the Patent Office Society on Friday, April 9, 1965, reiterated its position that a new Patent Office should be located in the Washington, D.C., area, i.e., within 10 miles of the Library of Congress. The society would support any location of funds which would provide for a new building within 10 miles of the Library of Congress, but is opposed to any allocation of funds which would provide for a new building outside the District of Columbia area.

The society feels that relocation of the Patent Office outside of the District of Columbia area would be extremely detrimental to the American public and the U.S. patent system.

The society takes this stand because—

(1) There is a heavy concentration of patent specialists—lawyers, agents, researchers—in Washington, D.C.

(2) The Patent Office has an estimated 100,000 visitors annually, who use the facilities of the Patent Office and conduct business with the Office. Relocation of the Patent Office away from the District of Columbia would: (1) deprive these persons of easy access to the information stored in the Patent Office, (2) make difficult their conducting business with the Patent Office, and (3) make concurrent business with other governmental agencies impracticable.

(3) Schools, educational facilities, and the cultural opportunities of the District would be made inaccessible and no substitute therefore would be available to Patent Office employees and their families. It should be noted that most patent examiners, at one time in their careers, go to law school in the evenings and that many employees take courses in their specialized disciplines to improve their value to their jobs.

(4) At present the Patent Office has a serious annual professional employee turnover of approximately 20 percent. A move away from the Washington metropolitan area would greatly increase the problem of attracting and retaining skilled personnel. (In a recent employee poll, it was indicated that 50 percent would seek employment elsewhere if the Office were moved away from the Washington, D.C. area.) It is also estimated that at least 75 percent of the skilled clerical staff would be lost if the Office were moved away from the District.

(5) The Patent Office conducts a large amount of business with many governmental agencies located in Washington, D.C.

(6) The Court of Customs and Patent Appeals, the Federal District Court and Court of Appeals for the District of Columbia (our courts of review) are all located in downtown Washington, D.C.

(7) The legal domicile of the Commissioner of Patents is in the District of Columbia. Changing this would involve undue legal problems. It should be noted that the Commissioner of Patents is one of the most sued men in the United States.

(8) Location of the Patent Office in Washington supplements and complements the Smithsonian Institution and the Library of Congress and would continue to provide an enlarged repository of information in a centralized area.

(9) Retaining the Patent Office in a prominent position in Washington would, by virtue of its historical and tourist attraction, make known its existence to the hundreds of thousands of high school children who annually visit Washington as well as to the rest of the District's tourist and business trade. The patent system has been the keystone and the most effective catalyst in the economic development of our dynamic society. As a prominent tourist attraction, the visitors to the Nation's Capital would be stimulated to improving the economic growth of our great country.

(10) There are available sites in the Washington, D.C., area to house a sorely needed Patent Office facility. For example, there are:

1. The Anacostia-Bolling urban renewal area;
2. The Bureau of Standards property, at Connecticut Avenue and Van Ness Street NW.;
3. The Government Printing Office site next to Union Station;
4. The National Training School for Boys located at Bladensburg Road and South Dakota Avenue NE.;
5. The Naval Weapons Plant on the Anacostia River between 1st and 11th Streets SE.

(11) Movement of the Office to the contemplated environs of Baltimore, Md., in Howard and Anne Arundel Counties would increase the congested highway situation in the area.

(12) The internal costs of operating the Patent Office as well as increased costs and inconvenience to patent applicants would occur by a move to the hinterlands. Such would be detrimental to the American public and the U.S. patent system and would thus thwart the express intent of the U.S. Constitution which requires Congress "to promote the Progress of Science and useful arts, by securing for limited times to Authors and Inventors the exclusive Right to their respective writings and discoveries" (art. 1, sec. 8, item 8).

(13) No benefit would accrue to the American public or to the patent system by locating a new Patent Office in Howard or Anne Arundel Counties in Maryland, as specified in the congressionally approved prospectus, project No. 49926 (revised).

Accordingly the Patent Office Society would support any appropriation of money for construction of a new Patent Office facility in the Washington, D.C. area, but is unqualifiedly opposed to any appropriation of money to build a new Patent Office in Howard or Anne Arundel Counties in the vicinity of Baltimore As provided in GSA prospectus 49926 (revised).

The Patent Office Society would again like to thank the subcommittee for the opportunity to present our views.

Thank you very much.

Mr. NEWMAN. I would like to bring out a few points that have been touched upon by my brothers of the bar.

One of the points raised was on the subject of education. Not only do most patent examiners go to law school, but it is essential for them to be good patent examiners that they do so. We also need special training in things such as gas turbine engines, advanced chemistry, et cetera. None of that is available at Columbia. Not only that, there are no cultural facilities at Columbia such as we have in the Capital. Half of our employees are of high intellectual capabilities. They are engineers and also lawyers. They would not, I think, be willing to move to an area which was devoid of cultural attainments and educational facilities. This is one of the reasons we feel the turnover problem in the Patent Office is so acute.

Mr. THOMAS. Are not you young lawyers getting the most valuable training that could be provided?

Mr. NEWMAN. If the patent system is to survive we must be able to retain young examiners. If we can only keep an examiner 2 years, he does not earn his wages.

Mr. THOMAS. Your turnover has always been high over there. They go over there and learn what it is to be learned then they go into private business. This turnover will always be high. That is part of the job.

Mr. NEWMAN. I would also like to point out that as far as the traveling to and from the Office is concerned, one of our greatest contacts is the Government Printing Office. The interchange between the Patent Office and the Government Printing Office is very large. This would necessitate transportation back and forth.

One thing that has not been mentioned is the clerical turnover. Half of our employees are what would be called the lower economic status—30 percent of our employees are Negroes. Housing facilities for our Negro employees would probably be nonexistent at Columbia. At least they would not be able to move, and this means you would have to train new clerical employees. I do not think the patent sysstem can stand this. I do not know if we would be able to find them and I do not know what we would do without them.

The legal domicile of the Commissioner of Patents is Washington, D.C., and changing this would involve undue legal problems. It should be noted that the Commissioner of Patents is one of the most sued men in the United States. This happens to be a fact.

Mr. THOMAS. He is not judgment-proof yet?

Mr. NEWMAN. Not yet.

We think retaining the Patent Office in a prominent location in Washington would, by virtue of its historical and tourist attraction, make known its existence to the hundreds of thousands of high school children who annually visit Washington.

Mr. THOMAS. You are not going into competition with the Smithsonian, are you?

Mr. NEWMAN. We already are. Our cafeteria is more crowded than the cafeteria of the Smithsonian Institution during vacation time.

Mr. THOMAS. You should go to ours.

Mr. NEWMAN. But we have a lot of business groups that come in and this is a way to get across to the people of our country the vital role the Patent Office has played in our economy. We have to bring forth to the people the job the Patent Office has done, because it is the keystone of our economic development.

One thing that upset the society about the Columbia City location is nobody has presented anything we have been able to find as to how Columbia would benefit, or how Howard or Ann Arundel County would benefit our patent system. All we hear is to the effect the move would be detrimental to the patent system and nothing would be of benefit to it. If we are to move, let us put it someplace that would help the system, and all the arguments indicate the place that would be most helpful is within the Washington, D.C., area.

Consequently, the society is constrained to support a new building if it is in the Washington area, and it voices its strong opposition to anything outside the Washington area.

Mr. BOLAND. I think you have made your point very well and I note you stress these points in your brief. Thank you, Mr. Newman.

Mr. NEWMAN. Thank you.

STATEMENT OF MR. WILLIAM R. HULBERT

Mr. BOLAND. We have Mr. William R. Hulbert here who has traveled some distance from Boston. Do you have a statement, Mr. Hulbert?

Mr. HULBERT. I have a prepared statement.

Mr. BOLAND. The prepared statement will be made a part of the record.

(The statement follows:)

STATEMENT OF WILLIAM R. HULBERT, BOSTON, MASS.

My name is William R. Hulbert. I am a trial lawyer specializing in patent causes as well as practicing before the Patent Office. My office is in Boston and I reside in Wayland, Mass., a Boston suburb. I am in my second year as president of the Boston Patent Law Association, and I am a member of the American Patent Law Association and the Patent Section of the American Bar Association.

The Boston Patent Law Association comprises more than 200 patent lawyers and a few patent agents representing thousands of clients in northern New England. The members of our association are vitally concerned with the welfare of the Patent Office and the health of our patent system.

Our association in June of 1963 passed the following resolution:

"*Resolved*, There is critical need for a new Patent Office building, and general convenience strongly indicates that the new building should be centrally located in the District of Columbia."

Last week, at a meeting attended by more than 80 members, the following additional resolution was passed overwhelmingly:

"*Resolved*, That the Boston Patent Law Association opposes the approval of an appropriation for a detailed site evaluation for a new Patent Office building in Howard or Anne Arundel Counties in the vicinity of Baltimore, Md.; and urges that further effort be made to find a suitable location for the Patent Office in the District of Columbia, or within reasonable commuting distance of Washington, D.C."

I urge that no final decision for a rural-located Patent Office be made at this session of the Congress. Two important studies have been or will be made, one by the Senate Judiciary Committee (see their report No. 118 of Mar. 10, 1965) which plans to continue its study of the location of the Patent Office. The other, of the entire patent system, by a presidential commission currently being appointed. It would seem most unwise for an irrevocable step to be taken by

this committee which might be in complete conflict with the recommendations expected from these important studies and is right now in conflict with the views of most persons closest to the Patent Office and the patent system.

The Patent Office requires a location of dignity befitting its importance. It is utilized daily by hordes of busy people who come from all over the country. Its facilities are used by far greater numbers of outsiders than many other agencies. Surely it is as fitting that the Patent Office should have its situs in our Capital City as should unions and trade associations be headquartered here.

There are, of course, many other reasons for not moving the Patent Office to an inconvenient rural location; increased annaul expense of a million dollars or more being merely one of them, but certainly an important one. There are other factors which this committee should also consider in exercising its judgment, an important one being whether the building sought to be built may be far larger than estimated requirements.

I urge that no appropriation be made for the fiscal year 1966 for the design of a new Patent Office building outide the Washington, D.C., area.

I thank the committee for its courtesy in receiving this statement.

Mr. BOLAND. Would you highlight it, please?

Mr. HULBERT. I am a trial lawyer specializing in patent cases and I am president of the Boston Law Association. Our association is comprised of some 200 patent lawyers and some patent agents who represent thousands of clients in northern New England.

The members of our association have considered the question of the proposed move of the Patent Office Building with our clients, and we feel there should be a new building, and in June of 1963 we passed a resolution that there is a critical need for a new building and advocating that the building should be in the District of Columbia.

Last week we held another meeting attended by more than 80 members and overwhelmingly we passed a resolution that the new building should be in the District of Columbia or within reasonable commuting distance of Washington, D.C.

There are two points I think have not been mentioned to the committee that I think are important. I might say I support what has been said by the others.

I would remind the committee that the Senate Judiciary Committee, in their Report No. 118 of March 10, 1965, entitled "Patents, Trademarks, and Copyrights Report" of the Subcommittee on Patents and Copyrights of the Senate Judiciary Committee, indicated they considered the question of the location of the Patent Office and that it is an important and controversial matter. On page 9 of their report they point out in an effort to provide Members of Congress with factual information, the subcommittee will continue to study all aspects of the question.

Mr. BOLAND. Did you make a personal appearance over there?

Mr. DUNNER. No, sir.

Mr. BOLAND. Did you request it?

Mr. DUNNER. No, sir. It was not that type of study.

Mr. HULBERT. I read in the paper that the President is about to appoint a Presidential commission to examine the entire workings of our patent system. I suggest it might be of interest to the public and wise not to take an irrevocable step now that would ultimately result in the erection in 5 years of a Patent Office Building in Maryland when we have a committee of the Senate and a Presidential commission both engaged in a study of the overall patent system, and it is conceivable they might say, "Let's have this Patent Office in Chicago" or they might say something entirely different. I suggest certainly we

should not do anything this year that would irrevocably commit the Government to this site.

I endorse what has been said about maintaining the dignity of the Patent Office.

Mr. THOMAS. You made a sensible statement. St. Louis is really near the geographical center of the United States. Chicago is getting close to it.

If you folks cannot get together, why should we decide for you? Suppose we decided the Patent Office should not have a new building at all?

Mr. HULBERT. Our people have made up their minds. We feel there should be a new building and that it should be here.

Mr. THOMAS. Would you stay in the old building 2 or 3 years and be happy?

Mr. HULBERT. A new building cannot be built under 5 years, anyway, Mr. Chairman. I think 1 year more or less now would make no difference. The whole basis of our patent system is to induce people to innovate and invent and at no time in our history has that been more important.

Mr. JONAS. How far do you live from Cambridge?

Mr. HULBERT. I live about 16 miles due west of Cambridge.

Mr. BOLAND. We appreciate your testimony, Mr. Hulbert, and appreciate your detailing the fact the Senate Judiciary Committee has a subcommittee studying the subject. We think that will be useful to us.

Mr. HULBERT. Thank you.

STATEMENT OF METROPOLITAN WASHINGTON BOARD OF TRADE

Mr. BOLAND. I would like to insert in the record a statement from the Metropolitan Washington Board of Trade, signed by William H. Press, the executive vice president, giving the board of trade's opinion and attitude and interest in this matter.

(The statement follows:)

THE METROPOLITAN WASHINGTON
BOARD OF TRADE,
*Washington, D.C., April 12, 1965.*

HON. ALBERT THOMAS,
*Chairman, Subcommittee on Independent Offices,*
*House Appropriations Committee,*
*Washington, D.C.*

DEAR MR. THOMAS: The Metropolitan Washington Board of Trade understands existing Federal policy to locate agencies outside Washington when feasible in order to check the growth of Government employment here. We know that it is policy to establish field offices in other communities and to limit those in Washington to agencies which need to be at the seat of government.

We think the functions of the Patent Office establish unique requirements for its retention in the Nation's Capital.

Activity in the fields of patents and trademarks inextricably enmesh the facilities of the Patent Office with other Government offices and agencies such as the Library of Congress, Bureau of Standards, Food and Drug Administration, Federal Trade Commission, Justice Department, the District Court for the District of Columbia, Court of Customs and Patent Appeals, and foreign consulates and embassies, to name only a partial list.

To excise the Patent Office from its present environment and isolate it miles from the numerous other activities with which it is involved on a day-to-day basis would seriously interfere with its efficiency and the efficiency of other Federal offices and agencies doing business with the Patent Office. In addition,

it would work a hardship on innumerable attorneys, corporate officials, and others in the private sector, who are located in or come to Washington to transact business not only with the Patent Office, but also with other Government agencies as well as representatives of industry situated here.

We feel that the need to accept the increased difficulties which would result from the proposed move has not been justified.

In view of the numerous objections which have been raised to the proposed move, including the reported objections of a majority of the personnel employed by the Patent Office, we strongly urge a serious consideration of sites available in the city.

At the very least, a thorough cost comparison between the proposed site and the presently available sites in the District should be made before a final decision is attempted. We have seen nothing to indicate such a study has been conducted.

In summary, the Metropolitan Washington Board of Trade, representing some 7,000 members of the business and professional community of the National Capital area, is unalterably opposed to the proposal to move the Patent Office out of Washington so long as there are sites available in the District which would adequately meet the requirements of the Patent Office.

Sincerely,

WILLIAM H. PRESS,
*Executive Vice President.*

Mr. BOLAND. Are there any others who would like to say something?

Mr. WATSON. I have spoken before, but I would like to add a few words.

When I was in the Patent Office, it was my custom to talk to young men who were entering the service of the Patent Office. I would address them in small groups and ask each one many questions, finally ending up with one: "How did you first hear of the Patent Office?" And the answers were much alike and to the effect that father, uncle, friend, or some party interested in patents had recommended that they come to the Patent Office to learn patent practice and to study law. That is the reason why they came. Here they can walk to the law schools after work, and at one time, after a period of recruitment, 407 were walking to the law schools in the evenings. If we remove the Patent Office from the proximity of George Washington, Georgetown, and other law schools, we will have a very much greater recruitment problem.

Mr. BOLAND. Thank you very much, Commissioner.

## FEDERAL OFFICE BUILDING SITE IN DALLAS, TEX.

### WITNESSES

**ROBERT JAYSON, DALLAS, TEX.**
**NICHOLAS N. KITTRIE, DALLAS, TEX.**

Mr. BOLAND. We are glad to have Mr. Robert Jayson and Mr. Nicholas N. Kittrie appear with respect to the site for the Dallas Federal office building. We are delighted to have you come here all the way from Dallas.

Mr. JAYSON. Would the Honorable Congressmen like a folder?

Mr. BOLAND. Your statement may be included in the record.

(The statement follows:)

STATEMENT OF ROBERT JAYSON, DALLAS, TEX.

Members of the subcommittee, I want to express my thanks for the opportunity accorded me to appear before you in a matter which is of great concern not only to me personally but to the preservation of the lawful nature of the U.S. Government in condemnation cases.

My name is Robert Jayson and I live in Dallas, Tex. My place of business, as a manufacturer of dresses, is at 1020 Commerce Street, Dallas 2, Tex.

The property in which my business is conducted was purchased by my family in June 1955, and was taken away from us by condemnation on December 1, 1958. To this date, I remain as a tenant on said property paying rent to the U.S. Government.

In late 1956 the GSA advertised proposals for the sale or donation to the United States of sites for a Federal office building in Dallas. That advertisement specified that proposals will be opened on January 24, 1957, and required that proposals submitted by agents must be accompanied by documentary evidence of authority. The instructions issued in connection with these proposals again required documentary evidence of the authority of agents to sign for the owner and provided further that any modifications of proposals received after the time set for opening would not be considered. On January 23, 1957, without authority from me, a group of influential and wealthy real estate operators decided they, with the help of the U.S. Government condemnation powers, could make a lot of money at the expense of Mr. Jayson and other property owners. This real estate syndicate offered our property for sale to the GSA without our permission and contrived to have the Government condemn the property, usurped all activities of negotiations, appraisals, etc. In effect told the Government which property to take and agreed if the Government would do their bidding they (the real estate syndicate) would put up all the cost over $885,000. This real estate syndicate owned and controlled approximately $14 million worth of property surrounding the site they proposed to the GSA.

This real estate syndicate left few stones unturned to make sure their liability on their guarantee was kept to a minimum. Subsequently, 11 months later, on December 24, 1957, the Government entered into a further agreement modifying the earlier arrangement. Under the new terms, the syndicate agreed to contribute to the Government the costs of the acquisition in excess of $1 million. The subsequent agreement also provided that the Government was to acquire my property at a price not to exceed $190,000 unless specific agreement to a higher price was granted by the syndicate.

In pursuance of this agreement with the syndicate, the Government subsequently proceeded to take my property. As a first step, I was offered by the Government a purchase price of $326,000 for the property. Upon declining this offer, I was officially advised by the Government agent to contact the members of the syndicate who had the authority to offer a higher amount. Throughout these negotiations, I refused to accept an offer for the purchase of my property due to the inherent illegality of the Government taking. Subsequently, the Government proceeded with a condemnation action against this property.

At the condemnation proceeding before a jury of the Federal District Court for the District of Texas, neither my attorney nor myself was able to raise the question of the syndicate interest.

Indeed, to this day, I have not been afforded a full hearing and a proper judicial or administrative determination of the illegality of the Government taking of my property.

It is clear that a proposal made by the syndicate to the U.S. Government was contrary not only to the provisions of the 14th amendment of the U.S. Constitution against the taking of property without "due process" of law, but was contrary to the terms of the General Services Administration's advertisement. The syndicate had no authority from me to offer my property for the Federal office building. Furthermore, the terms of the proposal specifically provided that "proposals and modifications or withdrawals thereof received after the date set for opening will not be considered." Still, despite this lack of authority from me, the GSA received the initial offer of the syndicate and subsequently proceeded to modify it 11 months later.

Furthermore, the agreement with the syndicate confirming that contributions to the acquisition of my property and other properties is in clear violation of the statutes of the United States. United States Code, title 40, section 298a specifically provides that "the administrator of the Federal Services is auhorized to accept on behalf of the United States unconditional gifts of real, personal, or other property * * *." Certainly the agreement with the syndicate which provided that the syndicate would contribute funds to the United States only if a designated property was to be taken for the Federal office building was not a

conditional gift. Indeed, the agreement with the syndicate, in pursuance of which the syndicate specifically paid the United States $524,000, was a conditional gift designed to encourage and induce the U.S. Government to do a specific act, being the taking of a designated piece of property belonging to private individuals. In fact, the syndicate and the agents of the GSA conspired together to deny me due process guaranteed by the 14th amendment to the Constitution of the United States.

As I stressed earlier, I have not been accorded a hearing of this constitutional denial. I request this subcommittee to take the necessary action to set aside the unlawful condemnation of my property which was done in conjunction and through a conspiracy with a private group. I do not question the authority of the U.S. Government to proceed to take any private property in a lawful manner, but suggest taking cannot be done in a manner described above.

Members of the subcommittee, I thank you for the opportunity of appearing before you and to express my hope that the necessary action will be originated by you to make certain that administrative agents of the Government will not undertake action in flagrant violation of the statutory language passed by Congress.

# ADVERTISEMENT FOR FEDERAL BUILDING SITE

The General Services Administration solicits proposals for the sale or donation to the United States of alternative sites for a Federal Office Building at Dallas, Texas, to be opened publicly in the office of General Services Administration, Business Service Center, Room 101, 1114 Commerce, Dallas, Texas, at 2:00 P.M. CST, on January 24, 1957.

APPROXIMATE AREA AND GENERAL BOUNDARIES OF SITE: Only sites within the area bounded by Ross Avenue, Lamar Street, Pacific Avenue, Houston Street, Young Street, Preston Street and Central Expressway, will be considered. Although only one (1) site is required, proposals on sites of the following alternative sizes are solicited:

Alternate Site (1): An area of approximately 40,000 square feet.

Alternate Site (2): An area of approximately 75,000 square feet.

Proposals may be submitted on either or both alternate sites. Any proposal for the larger alternate site may include all or any part of the area offered as the smaller alternate site.

Owners of parcels aggregating less than the size specified for either site to which adjoining parcels may be added to produce a site of required size are encouraged to offer such parcels in response to this solicitation for proposals.

Owners may submit their own proposals. Proposals submitted by agents must be accompanied by documentary evidence of authority.

The right is reserved, as the interests of the Government may require, to reject any and all offers. Notice hereby is given that consideration will be given to sites other than those offered in response to this invitation. All proposals may be rejected and a site which is deemed more advantageous to the Government than any site offered may be acquired by negotiation or condemnation.

Site proposal forms and instructions concerning the submission of proposals may be obtained at the GSA Business Service Center, Room 101, 1114 Commerce Street, Dallas, Texas.

**GENERAL SERVICES ADMINISTRATION**

PUBLIC BUILDINGS SERVICE

1114 COMMERCE STREET • DALLAS, TEXAS

GS-1058

GENERAL SERVICES ADMINISTRATION, INSTRUCTIONS FOR THE SUBMISSION OF PROPOSALS FOR SITE ACQUISITION

*Preparation of proposals.*—Proposals as called for in the advertisement shall be prepared on the "Site Proposal" GSA Form 1226, furnished. The form shall be carefully filled in and manually signed. The description of the land must indicate definitely the location and dimensions of the property. Proposals by agents shall be accompanied by documentary evidence of the agent's authority to sign for the owner.

*Submission of proposals*—Proposals shall be submitted in the original only, prior to the time specified in the advertisement. Proposals and modifications thereof shall be enclosed in appropriately identified sealed envelopes addressed to the office or official in whose office the site proposals will be opened. Proposals

and modifications or withdrawals thereof received after the time set for opening will not be considered unless the failure to arrive by time specified is due solely to delay in the mails occurring after proposal is mailed and for which the proponent is not responsible. Telegraphic modifications made prior to the opening shall not reveal the amount of the original or revised proposal.

*Opening of proposals.*—Proposals will be opened at the time specified and will be made public. Proponents or their representatives and others properly interested may be present.

*Withdrawal of proposals.*—Proposals may not be withdrawn prior to 90 days from date of opening. Negligence on the part of the proponent in preparing the proposal confers no right for the withdrawal of the proposal after it has been opened.

*Award of contract.*—The contract shall be awarded as soon as practicable to the proponent submitting the most acceptable proposal, price and other factors considered, provided his proposal is reasonable, and it is in the interest of the Government to accept it. Site investigations and fair market appraisals will be made after the site proposals have been opened and reviewed.

Factors such as the following will be considered in making the awards:

1. Price.
2. Functional and agency suitability.
3. Accessibility to public use.
4. Topography.
5. Subsurface conditions.
6. Adequacy of utilities.
7. Character of neighborhood and trends.
8. Adequacy of public transportation.
9. Traffic patterns and volume.
10. Suitability as to shape, where applicable.
11. Public sentiment.
12. Civic plans.

The right is reserved, as the interest of the Government may require, to waive any technical defect or informality in the proposals.

A written acceptance of the proposal to the successful proponent will result in a binding contract.

After an acceptance of a proposal and before the Government acquires title, the General Services Administration may require permission to enter upon the land for the purpose of making surveys and subsurface investigations by test borings.

*Rejection of proposals and negotiations.*—The right is reserved, as the interest of the Government may require, to reject any or all offers, and to negotiate and accept any offer thus obtained.

Negotiation for additional land may be undertaken, if necessary, to develop a site of sufficient size.

*Plat to accompany proposal.*—The proposal must be accompanied by a diagram or plat, approximately 8" x 10½", showing the following:

1. City, county, State, and name of owner or agent.
2. An outline of the property, with dimensions in feet and inches on all sides.
3. The distance to the nearest corner, if the site is an inside lot.
4. Adjacent streets and their names, and public alleys.
5. Information concerning party walls on the land.
6. Encroachments on the land, including sidewalks, right-of-way, utilities, etc.
7. North point of the compass.

| FASTEN PLAT, ETC. HERE | GENERAL SERVICES ADMINISTRATION<br>PUBLIC BUILDINGS SERVICE<br>WASHINGTON 25, D. C.<br>SITE PROPOSAL | SYNOPSIS AGENDA<br>#20 |
|---|---|---|

In response to your invitation for offers of property for the Federal building at the location shown below, the undersigned hereby proposes ~~to sell or donate to the United States of America, for the consideration specified~~, the following described land (clear building space, exclusive of sidewalks, etc.)

| LOCATION (City, county and state) | PRICE OF LAND |
|---|---|
| Dallas, Dallas County, Texas | See attached proposal |

DESCRIPTION OF LAND

See Attached Proposal

and as shown by the attached plat on which is indicated the correct widths of public streets and alleys abutting the site; together with all of the improvements thereon, except the following

See Attached Proposal

| SIGNATURE | Check whether | DATE SIGNED |
|---|---|---|
| See Attached Proposal | ☐ OWNER OR ☐ AGENT<br>See Attached Proposal | Jan. 23, 1957 |

ADDRESS (Post office, street, number, city and state)

See Attached Proposal

NAME OF THE HOLDER OF THE MORTGAGE ON THE ABOVE PROPERTY (OR HIS LOCAL REPRESENTATIVE) IS

See Attached Proposal

THE MOST RECENT ASSESSED VALUATIONS OF RECORD ON THE ABOVE DESCRIBED PROPERTY ARE

| LAND | IMPROVEMENTS | TOTAL | ASSESSMENT DATE |
|---|---|---|---|
| | See Attached Proposal | | |

~~The foregoing proposal is submitted in accordance with, and subject to, the terms and conditions of said invitation or advertisement, and the "Conditions" governing purchase of Federal building sites as set forth on the reverse of this form.~~

IMPORTANT NOTICE TO BIDDERS

1. *There must be attached to the proposal a plat showing the dimensions of the property offered and widths of all abutting streets and alleys. Such dimensions shall describe clear building space exclusive of sidewalks.*
2. *If the vendor desires to reserve any building or other improvements on the site it is important that he describe the same in the above space provided for that purpose, otherwise this proposal is for land, together with all the buildings and improvements thereon.*
3. ~~*The "Conditions" on the reverse of this proposal are incorporated by reference in the proposal. As these "Conditions" constitute important contractual provisions setting forth in detail the obligations of the bidders it is of extreme importance that they be carefully read prior to the submission of the proposal.*~~

(Over)

GSA FORM 105
August 1950
(Formerly Form 7-72-A)

## Proposal

### 1. PURPOSE OF PROPOSAL

This proposal is submitted to the General Services Administration pursuant to the next to the last paragraph of its advertisement, published on January 1, 1957, and succeeding dates, with respect to a proposed Federal Office Building at Dallas, Tex.

### 2. NATURE OF PROPOSAL

This proposal is submitted to enable General Services Administration to avail itself of the opportunities for estimated savings of $5,662,500 available in the continued use and remodeling of their presently owned building at 1114 Com-

merce Street, in city block 63, Dallas, Tex., and to insure such agency the purchase of adjoining property for new and additional buildings or building at a guaranteed price. This adjoining property will have to be acquired by or on behalf of the Federal Government by negotiation as described in the letter of guaranty attached hereto or by condemnation proceedings. None of the parties submitting this proposal owns any of the parcels of land to be acquired or any interest therein, or has authority as agent or otherwise to sell, offer for sale or donate such properties.

3. ADVANTAGES OF PROPOSAL

Some of the advantages inherent in the selection of one of the sites herein proposed are as follows:

1. Remodeling and continued use of the present Government building at 1114 Commerce Street will save the taxpayers an estimated $5,662,500. This fact is substantiated by a careful engineering survey made at your suggestion by the outstanding engineering firm of Frank W. Chappell.

2. The entire central downtown area and other commercial interests would likely share more equitably in the advantages generated by the Dallas Federal Center and its personnel because of this location. Practically every major business in downtown Dallas is located within 2,500 feet of the location proposed.

3. There are ample parking facilities within short walking distance and more are planned.

4. Available public transportation and traffic flow make the site proposed most accessible to all residential areas in which Government employees live or are likely to live.

5. Regional accessibility from all directions is insured by a fine network of highways and rail and bus facilities which are most convenient to the site.

6. Existing public utilities at the site are ample for the building proposed and selection of the proposed site would not result in expense to the city of Dallas.

7. Development plans for the section of the city of Dallas concerned are such that the proposed location will be in the very center of a most attractive and accessible area.

These advantages have been brought out in greater detail in a formal brochure previously presented to you, a copy of which is attached hereto and made a part hereof.

4. DESCRIPTION OF PROPERTY

Three different size tracts, each of which adjoins the present Government building at 1114 Commerce Street, are hereby proposed for consideration. These tracts are described as follows:

*Tract 1.*—A tract of land adjoining the United States Government's building at 1114 Commerce Street on the West, and extending westerly therefrom along the south line of Commerce Street for a distance of 225 feet, then southerly along the established property line 200 feet to the north line of Jackson Street, then easterly along the north line of Jackson Street 210 feet to the said Government building, the east boundary of said tract being the same as the west line of the Government's property, being Lots 6, 7, 8, 9, 10, 11 and 14 in Block 63 of the City of Dallas, Texas, and containing approximately 43,500 square feet of land.

*Tract 2.*—A tract of land adjoining the United States Government's building at 1114 Commerce Street on the west, and extending westerly therefrom along the south line of Commerce Street for a distance of 405 feet, then southerly along the established property line 200 feet to the north line of Jackson Street, then easterly along the north line of Jackson Sreet 390 feet to the said Government building, the east boundary of said tract being the same as the west line of the Government's property, being Lots 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16 and 17 in Block 63 of the City of Dallas, Texas, and containing approximately 79,500 square feet of land.

*Tract 3.*—A tract of land adjoining the United States Government's building at 1114 Commerce Street on the west, and extending westerly therefrom along the south line of Commerce Street for a distance of 455 feet to the east line of Poydras Street then southerly along the east line of Poydras Street 200 feet to the north line of Jackson Street, then easterly along the north line of Jackson Street 440 feet to the said Government building, the east boundary of said tract being the same as the west line of the Government's property, being Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16 and 17 in Block 63 of the City of Dallas, Texas, and containing approximately 89,500 square feet of land.

45-976—65—pt. 3——65

5. GUARANTEED COST OF TRACTS

The proponents of this proposal hereby undertake to guarantee that the parcels of land comprising each tract described above can be acquired by the Federal Government by negotiation as described in the letter of guaranty attached hereto or by condemnation for an aggregate price for each tract as set out below:

Cost of tract 1 is guaranteed not to exceed $885,000.00.

Cost of tract 2 is guaranteed not to exceed $1,655,000.00.

Cost of tract 3 is guaranteed not to exceed $2,000,000.00.

These guaranteed costs represent official Dallas Real Estate Board appraisals plus approximately 10 percent. Experience has shown that the cost of property acquired by the Government through condemnation proceedings has rarely exceeded 10 percent of local real estate board appraisals. Copies of these appraisals covering each parcel of land in the three tracts are attached.

In addition to the 10 percent margin included in the above guaranteed costs, there is attached hereto a letter of guaranty signed by the proponents hereof in the amount of $200,000.00 to cover any amount up to that sum, but limited thereto, which may have to be paid by the Federal Government to acquire any one of the described tracts of land in excess of the guaranteed amount shown opposite each tract above.

It is our understanding that the precise form of this guarantee will be worked out between counsel in the event that the General Services Administration indicates its interest in this proposal, but the availability of a collectible and valid guarantee is hereby assured.

6. COOPERATION

The proponents hereof assure the General Services Administration of their full cooperation in working out any details of the acquisition of the property proposed herein and the erection of the Federal Center thereon which they as citizens of Dallas may properly perform.

7. ATTACHMENTS HERETO

Annex 1: Letter of Guaranty described in Section 5 above.

Annex 2: Photostatic copy of a letter from the Director of Planning of the city of Dallas.

Annex 3: Plot of property proposed.

Annex 4: Photostatic copies of official Dallas Real Estate Board appraisals covering each parcel of land covered in this proposal.

Annex 5: Copy of brochure previously submitted.

Respectfully submitted.

W. W. Overton, Jr., L. T. Corrigan, C. A. Sammons, E. V. McCright, R. W. Baxter, M. E. Moses, Eugene Kahn Sanger, Cecil M. Higginbotham, Drake McKee, Trammell Crow, Justin S. McCarty, John D. Murchison, L. D. Lowry, Jr., Sam R. Bloom.

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GUARANTY

For and in consideration of the selection and acquisition by the General Services Administration, an agency of the United States Government, of one of the sites proposed for the erection of the Dallas Federal Center Building in a proposal of even date herewith submitted by the undersigned, we hereby guarantee, subject to the limitations and conditions listed below, that the acquisition cost of each of the tracts of land proposed as a site for said building will not exceed the amount set opposite each:

| | |
|---|---|
| Guaranteed cost of tract 1 | $885,000.00 |
| Guaranteed cost of tract 2 | 1,665,000.00 |
| Guaranteed cost of tract 3 | 2,000,000.00 |

This guaranty is to insure the General Services Administration against excess cost of acquisition of any one of the above tracts of land, up to, but not exceeding, the sum of Two Hundred Thousand Dollars ($200,000.00) over the cost guaranteed above. The aggregate amount of this guaranty is specifically limited to a maximum of the lesser of (1) Two Hundred Thousand Dollars ($200,-

000.00), or (2) the excess of the cost of any one of the above tracts of land acquired over the above stated guaranteed cost, and the liability hereunder of each of the undersigned is specifically limited to that percentage respectively set opposite the name of each of the undersigned of said maximum aggregate amount of this guaranty.

This guaranty will be valid only if no parcel of land covered by the proposal of which this instrument is a part is purchased by General Services Administration at a price greater than the Dallas Real Estate Board Appraisal attached hereto covering such parcel except in accordance with a final judgment of a court of competent jurisdiction entered in a condemnation suit instituted by it to acquire such parcel.

While this guaranty shall be a continuing guaranty upon the conditions and under the limitations herein set forth, unless the said General Services Administration shall have acquired legal title to one of the aforesaid three tracts for the aforesaid purpose within 3 years from the date hereof, this guaranty shall on the third anniversary of the date hereof become null and void and of no further force and effect.

Witness our hands at Dallas, Tex., this the 23d day of January 1957.

Annex 1. Signature, percentage of guaranteed aggregate amount.

W. W. Overton, Jr., 12½ percent; L. F. Corrigan, 17½ percent; C. A. Sammons, .06¼ percent; E. V. McCright, 10 percent; R. W. Baxter, 6¼ percent; M. E. Moses, 2½ percent; Eugene Kahn Sanger, 2½ percent; Cecil M. Higginbotham, 5 percent; Drake McKee, 2½ percent; Trammell Crow, 2½ percent, Justine S. McCarty, 2½ percent; John D. Murchison, 12½ percent; L. D. Lowry, Jr., 2½ percent; Sam R. Bloom, 15 percent.

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DECEMBER 24, 1957.

Col. KARL E. WALLACE,
*Regional Commissioner, General Services Administration,*
*Dallas, Tex.*

DEAR SIR: The undersigned (herein called Guarantors) in order to induce the United States of America (herein called Government) to select and acquire the hereinafter described property as a site for a Federal Building and in consideration of the selection and acquisition of said property for such purpose, hereby guarantees, covenants and agrees as follows:

1. The property proposed herein is described as follows:

A tract of land adjoining the United States Government's building at 1114 Commerce Street on the West, and extending Westerly therefrom along the South line of Commerce Street for a distance of 300 feet, thence southerly along the established South property line of Lots 5 and 15, 200 feet to the North line of Jackson Street, thence Easterly along the North Line of Jackson Street 285 feet to the said Government building, the East boundary of said tract being the same as the West line of the Government's property, and being Lots 5, 6, 7, 8, 9, 10, 11, 14, and 15 in City Block No. 63 of the City of Dallas, and containing 58,500 square feet of land, more or less.

2. Guarantors shall and do hereby jointly and severally guarantee that the acquisition cost of said property shall not exceed the sum of 1 million dollars ($1,000,000.00). In the event the acquisition cost exceeds One Million Dollars, Guarantors shall pay the Government, or at the direction of the Government, all sums in excess of One Million Dollars necessary to acquire full fee simple title to said property.

3. The Government shall acquire the property by purchase from the owners thereof or by condemnation. If acquired by purchase, the Government shall not pay more for the following described lots than the amount set opposite each lot, without receiving the prior approval of Guarantors:

| | | | |
|---|---|---|---|
| Lot No. 5 | $195,000 | Lot No. 9 | $102,500 |
| Lot No. 6 | 190,000 | Lot No. 10 | 100,000 |
| Lot No. 7 | 180,000 | Lot No. 11 | 180,000 |
| Lots No. 8 and 14 | 100,000 | Lot No. 15 | 90,000 |

For the purpose of considering any proposals of the Government to purchase at a price in excess of those in this paragraph above stated, Guarantors shall

appoint from their number a committee of four, who shall be authorized to act for and on behalf of all the Guarantors, and approvals given by said Committee shall be binding on all Guarantors. Names of the Members of said Committee shall be furnished Government in writing.

Subject to the limitations of this paragraph, Government shall have a completely free hand in the acquisition of said property and in making all decisions in connection herewith, including but not limited to the price and manner of acquisition, Government shall, however, use it best efforts to acquire the property at the lowest, fair and reasonable price.

4. In the event of condemnation, Guarantors shall not be required to bear the cost of the condemnation proceedings.

5. Guarantors shall pay any amount due hereunder as, when, to the parties, and in the manner directed by the Government.

6. Guarantors shall execute and deliver such additional agreements, instruments and guarantees as required by the Government to carry out the provisions and intent of this instrument, and the availability of a collectable and valid guaranty is hereby assured.

7. This contract and the covenants, agreements and guarantees herein contained shall be binding on the Guarantors, jointly and severally, and their heirs, assigns, administrators, executors, and legal representatives.

8. While this guaranty shall be a continuing guaranty, upon the conditions and under the limitations herein set forth, unless the Government shall have contracted to acquire legal title to the said property or has commenced a condemnation suit for the purpose of acquiring said property within two years from the date hereof, this guaranty shall on the second anniversary date hereof become null and void and of no further force and effect.

Witness our hands at Dallas, Tex., this the 24th day of December 1957.

Trammel Crow, Justin S. McCarty, John D. Murchison, Sam R. Bloom, W. C. Stevens, M. E. Moses, Cecil M. Higginbotham, W. W. Overton, Jr., L. F. Corrigan, C. A. Sammons, E. V. McCright, R. W. Baxter, Eugene Kahn Sanger, Drake McKee.

JULY 5, 1961.

Mr. JOHN MOORE,
*General Services Administration, Washington, D.C.*

DEAR MR. MOORE: I want to thank you for the courtesy extended to me when I was in Washington a few weeks ago.

I have spoken to my attorney, and we will press no charges against the General Services Administration for any causes or damages.

Hoping to hear from you, I am

Sincerely yours,

ROBERT JAYSON.

Mr. JAYSON. Congressmen, I have come to you with a very unusual bribe, and when I say "bribe" I am using that word in the sense of its dictionary definition, if someone gives money to someone to do a certain deed.

In 1956 the General Services Administration advertised for a Federal building site in Dallas, Tex. The GSA specified how proposals must be submitted for a Federal site.

The U.S. Government through the GSA says you can submit a site proposal if you own the property or you can submit it as an agent if you have the owner's permission. This was not done in this case. Someone else proposed our property without our permission, stating: "In response to your invitation for offers of property for the Federal building at the location shown below, the undersigned hereby proposes."

Mr. JONAS. You own the land?

Mr. JAYSON. My family and myself own the land.

Mr. JONAS. What is that you are reading from?

Mr. JAYSON. This is the "Site proposal."

In their proposal this syndicate comes along and tells the Government what land to take, what they can pay, and if any larger sum is paid the syndicate must have permission to approve it.

Mr. THOMAS. They told GSA that?

Mr. JAYSON. Here it is in No. 4.

Mr. THOMAS. Read it out loud to us.

Mr. JAYSON (reading):

The undersigned (herein called guarantors) in order to induce the United States of America (herein called Government) to select and acquire the hereinafter described property as a site for a Federal building and in consideration of the selection and acquisition of said property for such purpose, hereby guarantees, covenants, and agrees as follows:

* * * * * * *

2. Guarantors shall and do hereby jointly and severally guarantee that the acquisition cost of said property shall not exceed the sum of $1 million. In the event the acquisition cost exceeds $1 million, guarantors shall pay the Government, or at the direction of the Government, all sums in excess of $1 million necessary to acquire full fee simple title to said property.

3. The Government shall acquire the property by purchase from the owners thereof or by condemnation. If acquired by purchase, the Government shall not pay more for the following described lots than the amount set opposite each lot, without receiving the prior approval of guarantors.

Mr. THOMAS. Let us get down to cases now. They guaranteed that the property would not cost in excess of $1 million. What did you get for it?

Mr. JAYSON. I got $380,000 for my land, and building, only which was part of the total tract; but that is not the question. The question I am bringing up is not with regard to the money I received, but the procedure used; when the Federal district attorney had made an offer much, much higher, I refused to sell because I had stated that it was improper from the start.

Mr. THOMAS. Did you take them to court?

Mr. JAYSON. They took me.

Mr. THOMAS. What did the condemnation proceedings give you?

Mr. JAYSON. The condemnation proceedings awarded me $380,000, but I never would have been in court had not these people paid the Government to take our property. We could not bring out in court anything regarding the syndicate or anything else pertaining to the impropriety of their proposing of our property. In other words, these people paid the U.S. Government to take this property, no one else's property, told the Government, "If you do our bidding, we will pay you any amount over a million dollars."

Mr. THOMAS. What was the property worth, Mr. Jayson?

Mr. JAYSON. Various appraisals. The appraisals on the property were from $675,000 to about $750,000.

Mr. THOMAS. In what court was it tried in Dallas?

Mr. JAYSON. In the Federal district court before the Honorable Judge Estes.

Mr. JONAS. When you refer to a bribe, do you mean this statement where they say they will pay the Government any amount above a million dollars?

Mr. JAYSON. They paid the Government $524,000 to do their bidding.

Mr. JONAS. Out of that you got your $380,000?

Mr. JAYSON. The judgment was $380,000, out of which I paid $40,000 to settle with two tenants that occupied part of the premises, as they were suing me for $100,000.

Mr. JONAS. Who got the rest?

Mr. JAYSON. My family and the mortgage that we had on the building.

Mr. JONAS. The rest of the half million dollars you say they paid the Government.

Mr. JAYSON. Various other property owners. There were eight parcels of property.

Mr. JONAS. You make a very serious charge when you use the word "bribe," and you have not spelled that out. I do not follow you. I am trying to do so. Do you actually mean that some of these people paid money to an agent of the Government?

Mr. JAYSON. Yes, sir.

Mr. JONAS. Private, under-the-table money?

Mr. JAYSON. No, I do not know private or otherwise, but it is an actual fact which the Government admits that they have accepted $524,000 to do the bidding of this real estate syndicate.

Mr. JONAS. I do not understand that.

Mr. GIAIMO. You have been using the term "bribe" loosely unless you mean something else. Are you saying they told the Government, "We will save you harmless over a certain amount of money of cost"? Is that in effect what they said?

Mr. JAYSON. I do not know what they said. All I know is that if I pay a Government agency a sum of cash to do my bidding, to tell them to take what I want them to take, then in my estimation and the definition of the dictionary, it is a bribe.

Mr. GIAIMO. Let us forget the dictionary definition for a moment. Apparently they paid this $500-some-odd thousand to General Services Administration, did they not?

Mr. JAYSON. Yes, sir.

Mr. JONAS. For them to use in acquiring your property.

Mr. JAYSON. To help acquire my property.

Mr. JONAS. Ostensibly to increase the value of other properties they own.

Mr. JAYSON. That is right.

Mr. JONAS. That is the basis or background.

Mr. JAYSON. That is exactly the truth.

Mr. THOMAS. In other words, in the first place he did not want to sell and, in the second place, they did not pay what it was worth. What was it worth, in your honest judgment? They paid you a little less than $400,000. What was it worth?

Mr. JAYSON. Mr. Congressman, there was a suggested offer of $600,000 that I refused.

Mr. THOMAS. You got shortchanged at least $200,000?

Mr. JAYSON. No, sir. I said there was something wrong. I could not put my finger on it. This has taken me years of investigation. There was something wrong. I told the Federal district attorney I was not interested in how much money I got. I was only interested in one thing. If they could do this to me, they could go through the

United States doing the same identical thing. Excuse me for raising my voice. I am a sick man.

Mr. JONAS. Did they put up this $524,000 out of their own pockets?

Mr. JAYSON. Yes, sir.

Mr. JONAS. So, the property did not cost the Government anything? Is that what you say?

Mr. JAYSON. No. The property cost the Government $1 million, but the actual value of the property was probably $3 million. The condemnation cost the U.S. Government much less. Most all of these 7 parcels were owned by widows or heirs. The Government condemned the property, and almost everybody had decided that they could not fight the Government, and neither did I want to fight the Government. If the Government wants a site, they can acquire it in their normal legal manner, but they cannot go into conditional agreements contrary to the laws passed by the Congress in which you gentlemen sit.

Mr. BOLAND. When was the court case held on this?

Mr. JAYSON. It was in 1960, I think.

Mr. BOLAND. You were not able to offer this evidence when you appeared in court?

Mr. JAYSON. No, sir. It was only through the late Senator Chavez that I have received the site proposal statement submitted by the syndicate.

Mr. BOLAND. Have you anything else to add, Mr. Jayson?

Mr. JAYSON. Furthermore, the agreement with the syndicate confirming the contribution the syndicate was to make to the acquisition of my property and other properties is in clear violation of the statutes of the United States. United States Code, title 40, section 298a, specifically provides that—

> The Administrator of General Services is authorized to accept on behalf of the United States unconditional gifts of real, personal, or other property * * *.

Certainly the agreement with the syndicate which provided that the syndicate would contribute funds to the United States only if a designated property was to be taken for the Federal Office Building was not an unconditional gift. Indeed, the agreement with the syndicate, in pursuance of which the syndicate specifically paid the United States $524,000, was a conditional gift designed to encourage and induce the U.S. Government to do a specific act, being the taking of a designated piece of property belonging to private individuals. In fact, the syndicate and the agents of the GSA conspired together to deny me due process guaranteed by the 14th amendment to the Constitution of the United States.

Mr. BOLAND. It would seem to me you are in the wrong forum here. I would think this is a matter which ought to be taken up in the courts. Did you not bring any action against them for denying you your constitutional rights? Did you bring any action against the Government or the syndicate or those you are talking about?

Mr. JAYSON. I hired an attorney who was a very prominent man in the city of Dallas, Mr. Henry Strassberger. In coming to Mr. Henry Strassberger and telling him of our plight, he stated that he represented some of this group and his office represented some of this

group; that he would take it on a condemnation case only, and that he would not sue the syndicate who put up this money.

We thought it over and we decided to hire Mr. Strassberger, as he was very highly thought of in the city of Dallas.

Mr. BOLAND. At that time you knew your problem was more with the syndicate which you talk about here, and I would think that was your first mistake.

Mr. JAYSON. We made an awful lot of mistakes because the court would not let us put these gentlemen in. The judge's ruling, as far as I know, was that the syndicate was not to be taken into the case.

Mr. JONAS. Why did you write that letter to Mr. Moore in July of 1961 and say you had decided not to press any charges?

Mr. JAYSON. I am glad you asked me that, Congressman. About 3 weeks before that letter was written, I had met with Mr. John Moore, who was then the Administrator, and had told him of this particular case, and he was in sympathy with what took place, but apologized that it was not his doing. He asked me to go back to Dallas and have my attorney draw up a paper stating that if they would return the property to us, we would not sue the U.S. Government.

I came back to the attorney, Mr. Strassberger, and told him of my meeting with Mr. John Moore, the then Administrator, and that if he would draw up an affidavit for my brother and my mother and me to sign, we would not sue the U.S. Government. We mailed it to him.

Two or three weeks later Mr. John Moore resigned and went with another agency, and the man who had told me that he would help me was not there to help me.

Mr. JONAS. This was the letter you wrote him telling him you would not press any charges?

Mr. JAYSON. No. We sent him an affidavit that we would not press charges against the U.S. Government if they would return the property as it was.

Mr. JONAS. You did not say that in this letter, though.

Mr. JAYSON. In the affidavit we did.

Mr. GIAIMO. How do you explain the fact that you had a hearing in the Federal court in Dallas? That was on the value of your property?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. How much did they award you?

Mr. JAYSON. $380,000.

Mr. GIAIMO. You claim that was an inadequate sum?

Mr. JAYSON. I would not have been in court——

Mr. GIAIMO. That is not the point. The question I am asking you is: Do you claim that the award of the court in the condemnation hearing was inadequate?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. Did you appeal that decision?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. What happened?

Mr. JAYSON. It was turned down.

Mr. GIAIMO. Are you claiming that the court has not treated you properly?

Mr. JAYSON. I would never have been in court——

Mr. GIAIMO. That is not the point. The point I am asking is: You were in court. Did you go to the circuit court?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. On appeal?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. Your appeal was turned down?

Mr. JAYSON. Yes, sir.

Mr. GIAIMO. Are you making any claim at this time that the courts acted improperly, or are you just disagreeing with their determination and decision as to the value of the land?

Mr. JAYSON. The jury did not know the value of the land. I have five affidavits here, signed, which is open to you gentlemen to read, from the jurors.

Mr. GIAIMO. Do you make a charge of impropriety against the U.S. court in Dallas?

Mr. JAYSON. I am making a charge of impropriety against the General Services Administration in going into an agreement against regulations, of accepting a bribe.

Mr. GIAIMO. Would you answer my question as to the court?

Mr. JAYSON. All I can say against the court is that they did not allow us to bring in the syndicate, which the General Accounting Office had stated should be brought in.

Mr. THOMAS. We sympathize with your position, Mr. Jayson. It looks to me as if there is a lot of misunderstanding on your part and maybe the General Services Administration. At this late date, what can we do about it? The courts have passed on it. What can we do about it?

Mr. JAYSON. Correct it.

Mr. THOMAS. How? We are not sitting here as a court. We have no jurisdiction to undo the judgment of the U.S. district court. What can we do as a practical matter?

Mr. JAYSON. As a practical man, I would ask you for a special bill to return the property to the former owner, and if the U.S. Government would still want——

Mr. THOMAS. Have you consulted your Member of Congress from Dallas on that?

Mr. JAYSON. I have not. I have come to you.

Mr. THOMAS. That is not our job, you see. We are not sitting as a court and we do not represent Dallas.

Mr. JONAS. We are not even a legislative committee. We do not recommend legislation.

Mr. THOMAS. If you want a special bill, maybe that might be in order. I am not sure that it is. Certainly, since he represents you and represents that great district he would be the one to consult about a special bill. We are not in the business of legislating in here. That is not our job.

I am talking very candidly with you. It might appear you got a small price for that land, though. How many square feet of land was involved in this?

(Off the record.)

Mr. THOMAS. Mr. Jayson, you are wonderful to come all the way from Dallas, and we have been delighted to listen to you. We have

sympathy with the position you are in. Let us think this thing over. I doubt if there is anything we can do with it. I doubt that we have any jurisdiction. Certainly, you have been more than thoughtful to come and let us take a look at it and see what we can do. I doubt that we have any jurisdiction, and I doubt that we could help you, but let us think about it. Maybe you ought to consult your Member if a special bill is what is necessary. I am not sure that would get the job done, but he is due the courtesy of talking to him about it.

We thank you very much for your appearance.

Mr. JAYSON. I want to thank you for the time you allotted to me. I beg you gentlemen to look into what I have said because if this is permitted, this will set a precedent that any group of real estate operators can go anyplace in the United States and tell our Government to take any site that they want.

Mr. THOMAS. You have made a good, strong statement, and it is something to think about. We thank you very much for coming over.

## PATENT OFFICE BUILDING

### STATEMENT OF PATENT OFFICE PROFESSIONAL ASSOCIATION

Mr. THOMAS. The committee is in receipt of a statement from the president of the Patent Office Professional Association, Mr. Frank J. Cohen.

We will insert Mr. Cohen's statement in the record.

(The statement follows:)

PATENT OFFICE PROFESSIONAL ASSOCIATION,
U.S. PATENT OFFICE,
*April 14, 1965.*

HOUSE APPROPRIATIONS COMMITTEE,
SUBCOMMITTEE ON INDEPENDENT OFFICES.

GENTLEMEN: This association is a formally recognized organization representing over 50 percent of the scientific and professional personnel in the Patent Office. The major services of the office are located in the Main Commerce Building with other closely related services scattered in three other buildings.

Those who oppose the prospectus now before your subcommittee have argued that the location specified therein would require some of the personnel of the Patent Office to change their residences. More importantly (to them) they have noted that the specified location would require those attorneys who do not relocate to commute to such location whenever interviews with examiners were found to be necessary. Such opposition, we feel, is both shortsighted and self-serving.

It is the opinion of our organization that the need for a new building is the overriding consideration—more important than the temporary inconvenience of a few individuals. The U.S. patent system is now at a crossroads. It is desperately trying to modernize and expand to accommodate the tremendous increase—almost an explosion—of technical activity in this country. It must be successful in its efforts if it is to continue to be, as it has in the past, a stimulant to inventive endeavor. A new building is an integral and necessary part of any program designed to increase the effectiveness of our service to the public.

Other parties have recently voiced their position on this matter and have taken the stand that a new building to serve the urgent needs of the Patent Office is considered subordinate to a location suitable to their liking and have used the results of a questionnaire (attached) developed by our organization to further their desires. This association does not object to the use of its questionnaire as an entirety, but does object emphatically to the extraction of only certain data therefrom to substantiate a cause contrary to the future welfare of the patent system. This association, therefore, requests that your subcommittee study in depth the attached questionnaire and its answers to determine its usefulness in any proposal now under consideration.

As in all questionnaires, the answers to particular questions cannot be singled out and used out of context. For example, one cannot extract the answer to item 3A of the questionnaire and reason that the majority prefer a "downtown" Washington, D.C., location when the answers to other equally important questions are as follows:

Item 3B: 71 percent feel that any location within the District of Columbia would be acceptable.

Item 3C: 82 percent feel that any location within the immediate vicinity of the circumferential highway would be acceptable.

Item 3D: 52 percent feel that any location within 10 miles of the circumferential highway would be acceptable.

The most reasonable conclusion which may be drawn from a concurrent study of items 3A–3D is that our constituents are primarily concerned about reasonable access to and from their present residences.

It will be further noted that a 40 percent greater number of persons would have supported action to change the prospectus only if such action did not endanger their chances of getting a new building. This clearly indicates that the primary concern of our constituents is that we get a new building to service our needs. Please note also that 42 percent voted their approval of the location specified in the present prospectus and such vote may well be taken as highly favorable in light of the fact that no specific site has been named and that the general area encompassed by the specified location is unfamiliar to them.

The attached illustration serves to emphasize the wide range of attitudes resulting from our questionnaire and also indicates that the personnel of the Patent Office do not consider a "downtown" location as the only acceptable location.

In conclusion, this association respectfully submits that a new building permitting the personnel of the Patent Office to better serve the scientific and economic needs of the Nation is urgently needed. Any lobbying which would subordinate this intended purpose merely to accommodate selfish interests is deplorable.

Your sympathetic consideration of appropriations under the present prospectus is, therefore, earnestly solicited.

Respectfully submitted.

FRANK J. COHEN, *President.*

QUESTIONNAIRE RESULTS

The following is a tabulation of the results of the questionnaire concerning the building location which was recently circulated by this organization. A total of 886 professional employees responded to our questions. You will note below that the answers to any single question do not total 886, this is because a number of the respondents only partially completed the questionnaire. There is only one other point of explanation; please take into consideration that questions 2 and 5 would encompass any location, no matter how remote from Washington, D.C.

1. Would you prefer that the Patent Office remain in the Commerce Building? Yes, 300. No, 520.

2. Do you believe the need for a new building outweighs all considerations of location? Yes, 277. No, 582.

3. To obtain a new building would you accept its location:

(*a*) In "downtown" Washington, D.C., area? Yes, 752. No, 119.

(*b*) Anywhere within the District of Columbia boundaries? Yes, 611. No, 251.

(*c*) Within the immediate vicinity of the circumferential highway? Yes, 694. No, 158.

(*d*) Within 10 miles of the circumferential highway? Yes, 425. No, 388.

(*e*) As set forth in the congressionally approved prospectus? Yes, 354. No, 495.

(*f*) In Baltimore City? Yes, 118. No, 723.

(*g*) Other (Note: there were no more than 30 write-ins for any one location, the following were mentioned most often.) Langley, Denver, New York City, St. Louis, and Miami.

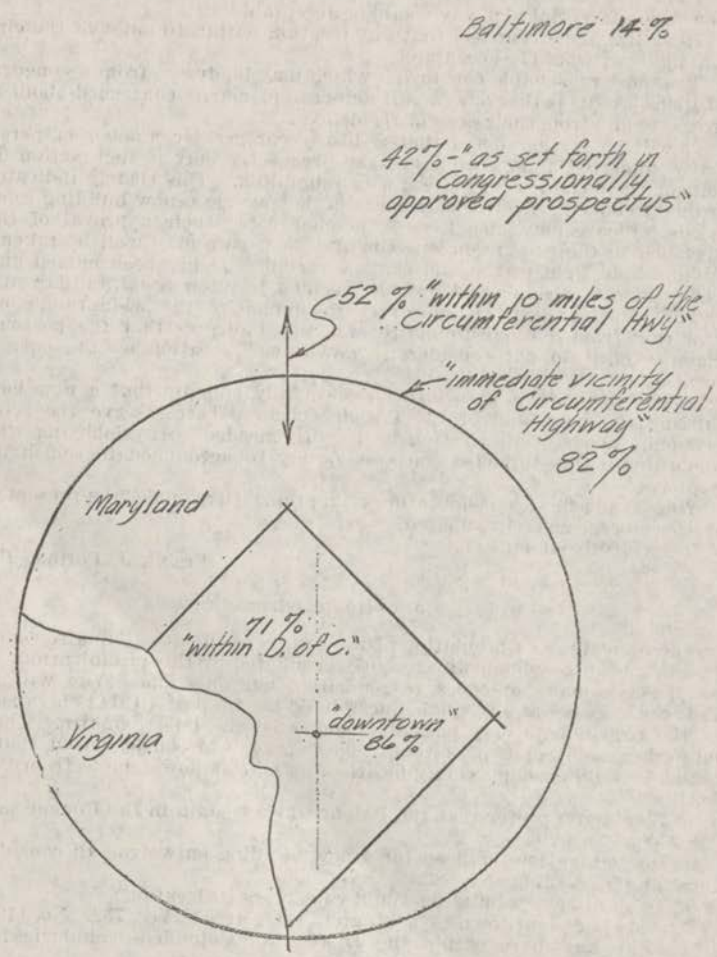
4. Would you support action directed towards obtaining a change in the present prospectus in regards the building location if:

(*a*) Such action endangered the chances of obtaining a new building? Yes, 470. No, 376.

(b) Such action did not endanger the chances of obtaining a new building? Yes, 661. No, 130.

5. If the Patent Office were to relocate in a location which you strongly oppose, would you seek other employment? Yes, 404. No, 404.

PATENT OFFICE PROFESSIONAL ASSOCIATION
ILLUSTRATION OF QUESTIONAIRE RESULTS




Percentages shown represent percentage of personnel who find that particular location acceptable

VETERANS ADMINISTRATION
STATEMENT OF THE AMERICAN LEGION

Mr. THOMAS. The American Legion has submitted to the committee a statement with respect to the appropriations for the Veterans Administration which we will place in the record at this point.

(The statement follows:)

STATEMENT OF JOHN J. CORCORAN, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the subcommittee, the American Legion appreciates the opportunity to express its views on the matter pending before this subcommittee dealing with funds for the operation of the Veterans' Administration for fiscal year 1966.

The American Legion is deeply concerned over the Veterans' Administration's proposal, as announced January 13, 1965, to close 11 hospitals, 4 domiciliaries, and 16 regional offices. It is estimated by the VA that a savings of $23.5 million will be realized if the proposal is implemented.

We agree wholeheatedly with those Members of Congress who have voiced the opinion that economy at the expense of service to veterans is a false economy and is not in keeping with long-established national policy to provide the war veterans of this Nation with a program of service second to none.

The Assistant Director for Legislative Reference, Bureau of the Budget, told our National Rehabilitation Conference on March 4, 1965, that the Bureau "did press the VA to close hospitals." In addition, the VA Chief Medical Director testified before a subcommittee of the House Veterans Affairs Committee that the Veterans' Administration would not have closed 11 hospitals this year if it had not been for the economy drive.

The action announced on January 13 demonstrates to us that, at least in this matter, the VA has lost control over its medical program, and lost it to the Bureau of the Budget. We urge this subcommittee, Mr. Chairman, to exert its authority to see that the Bureau of the Budget's power over the operation of the VA hospital system is curbed. We urge this subcommittee to see that sufficient funds are provided the VA to effectively and efficiently operate all of its programs.

We find that, by any standard, the cost of today's veterans program is fair and reasonable. For example, in 1890 the cost of the veterans program was 1 percent of the Nation's gross national product; today, it is less than 1 percent. In 1930, veterans' benefits and services were approximately 25 percent of the total administrative budget expenditures; today, they are 5 percent. And so on.

However, there are more compelling reasons why the veterans' program should not be the victim of an economy move. A discussion of the Veterans' Administration budget in terms of dollars spent, gross national product, etc., is necessary, and we think enlightening, but it is not quite meaningful unless you contemplate the persons served by the program.

We do not have detailed information on the patients presently hospitalized or receiving domiciliary care in the facilities to be closed. Thus, in order to draw a profile of those veterans we must depend on studies performed by the Veterans' Administration and congressional committees. According to a 1961 VA publication, the typical domiciliary member would, today, be 68 years old, be disabled principally by heart disease, have no family, have only an elementary school education, and have an income of $66 a month from VA pension. The patient in the VA hospital is there either to receive treatment for his service-connected condition, or because he is in financial need. As to the latter group, repeated surveys have reported their appalling financial condition. One survey conducted recently by the House Veterans Affairs Committee established that, of 19,000 hospital patients screened, the overall average income was $1,800. In addition, almost 15,000 had no ready assets at all.

These persons, Mr. Chairman, are the victims of economy moves in the veterans programs.

You will recall that, at the time of his appearance before your subcommittee last year, the Chief Medical Director of the Veterans' Administration revealed that he had received reports from deans of medical schools affiliated with the VA's medical program, and others, expressing the opinion that the quality of the VA medical program, in recent years, has not kept pace with the quality of care provided by the best civilian institutions.

A primary cause for existing dissatisfaction is the fact that insufficient funds are available to practice the latest developments in medicine and surgery. The medical staff does not have access to the money necessary to employ the lessons gained from research.

The National Field Service of the National Rehabilitation Commission makes regular visitations to all VA hospitals. The reports from our field representatives contain comment after comment on the difficulty VA hospitals are encountering under current budget allowances. The shortage in funds is affecting service to veterans. For example, because of inability to purchase and install necessary equipment, the Los Angeles VA Center has had withdrawn the accreditation of its radiology service by the American Medical Association's Residency Review Committee for Radiology.

We visited the VA hospital at Iowa City, Iowa, December 7 to 11, 1964. That report contains the following comment on budget inadequacies: "The Chief of Staff is very much concerned with the reduction in the budget funds in the face of need to operate an efficient hospital and provide the maximum quality of care. The hospital staff is at a bare minimum, and everyone is being worked to maximum capacity. Nurses are sometimes required to serve two tours of duty to care for seriously ill patients. Other supporting divisions do not have sufficient people to do the work as it should be done, dut to lack of operating funds. Patients are to be taken off the CBOC list in order to save money by not having to provide medicines while patients are on CBOC status. Trial visits are to be cut down for NP patients in order to devote all money for hospital care. Travel reimbursement will not be made to patients unless they actually demand and insist upon it. The Chief of Staff said this was not a very happy or promising picture."

These two reports are typical of many, many others which demonstrate that, because of budget shortages, there are serious equipment and staffing problems existent in the VA hospital system which affect the care provided veteran patients. Further, we fear that the Veterans' Administration is not keeping pace with the growth and development of American medicine.

Although this situation still exists, the VA's budget request for medical care for fiscal 1966 is increased by only $23,258,000 over its 1965 appropriation. The American Legion strongly feels that this is an insufficient amount to correct existing inadequacies in the program, especially when one considers that VA estimates its total inpatient average daily beneficiary load will increase by 1,230 during fiscal 1966. It is our belief that the subcommittee should consider the reports received by the Chief Medical Director with a view to appropriating funds necessary to effectively and efficiently operate the VA medical care program.

It is noted that the VA's fiscal 1966 budget request for "General operating expenses" is $4,870,000 less than the total request for 1965. The reduction is due in part to the elimination of 16 regional offices, whereby a saving of $3 million is anticipated. The closing of these offices will mean less service to veterans. Henceforth, if the closings are implemented, eight States will be without any regional office. If this breakthrough succeeds, there is the definite probability that such offices will be further reduced to 40 to 30 to 20 and so on. Centralization of regional offices lessens VA's ability to serve veterans. The economies achieved will be the economy of reduced service. This is another area of the VA's budget request which we believe is insufficient to meet needs, especially in view of the predicted increase in workloads in fiscal year 1966.

Since the closing order of January 13 was announced, representatives of the American Legion have presented testimony on six occasions to congressional committees. In that testimony, we attempted to delineate the matters of national policy that are at stake. These questions include whether the new nursing care program, authorized in 1964 by Congress, should be operated and funded at the expense, in dollars and beds, of the hospital program; whether the VA hospital system should be opened up to civilians; whether small reductions in expenditures justify great losses of service; whether the non-service-connected hospitalization program should be deliberately limited by closing hospitals before replacements are available.

We suggested solutions to the problems that beset the veterans program and we urged specific action by the Congress. Mainly, we sought legislation which would restore to the Congress the control it rightfully possesses over the establishment of national policy affecting veterans—a control that has been usurped by the Bureau of the Budget.

We urge your subcommittee, Mr. Chairman, to take cognizance of the trend that is developing, the objective of which appears to be dismemberment of the Veterans' Administration as the single agency to administer the veterans program. While we realize the limitations of your subcommittee insofar as the overall

problem is concerned, we do believe that sufficient appropriations to administer the veterans program is an important factor in overcoming the problems. In this area, your subcommittee can be most helpful and can be a definite influence upon the future course of the veterans benefits program.

Thank you again, Mr. Chairman, for receiving the views of the American Legion.

## VETERANS' ADMINISTRATION

### STATEMENT OF THE DISABLED AMERICAN VETERANS

Mr. THOMAS. The committee is in receipt of a statement from the Disabled American Veterans which we will include in the record.

(The statement follows:)

STATEMENT OF CHARLES L. HUBER, NATIONAL DIRECTOR OF LEGISLATION, DISABLED AMERICAN VETERANS

Mr. Chairman and members of the subcommittee, on behalf of the Disabled American Veterans, I wish to express sincere thanks to the subcommittee for the opportunity to present our views in connection with the appropriation requirements of the Veterans' Administration for fiscal year 1966.

The DAV, as spokesman for 215,000 wartime disabled veterans, has a deep and abiding interest in the budget requests made each year by the Veterans' Administration.

We have a fundamental concern that VA appropriations are sufficient to properly administer the laws authorizing hospitalization and outpatient treatment to the sick and disabled; compensation to the disabled veteran; death benefits to his widow and dependents, vocational training, and other benefits provided by law.

The Administrator of Veterans' Affairs in his recent budget presentation to your committee summed up in a comprehensive manner the needs of the Veterans' Administration for operating its various programs in 1966. To carry out these programs, the Administrator estimated a total budget requirement of $5,682,708,000.

Included in the budget is an appropriation requirement in 1966 for the Department of Veterans' Benefits estimated at $131,469,000. This represents a reduction of $4,171,000 below that for the current year. Reflected in this item is an estimated $3 million savings through the merger of 17 additional regional offices by June 30 of this year.

Also included in the VA budget for 1966 is an appropriation requirement for "Medical care" estimated at $1,177,417,000. This represents a net increase of $23,008,000 over the 1965 appropriation for this item.

Reflected in this increase is the cost of operating nursing care beds authorized by Public Law 88-450; increased pension payments and other benefits authorized by Public Law 88-664; activation of new hospitals and general improvements in the medical program.

To offset the increased cost for the medical care appropriation, the VA anticipates a savings of $20.5 million from planned closing of 11 hospitals and 4 domiciliaries this year. The expected savings will occur "largely by eliminating maintenance and administrative costs in the facilities to be closed."

Thus, the total projected savings estimated as a result of the proposed closing of 17 regional offices, 11 hospitals, and 4 domiciliaries is $23,500,000.

Mr. Chairman, I am sure that you and the members of your committee are familiar with the events as they occurred after the closing order was publicly announced by the Administrator last January.

The DAV, along with other veteran organizations, and individual Members of Congress, offered strong protests to the closing order.

During hearings before the Veterans Subcommittee of the Senate Labor and Public Welfare Committee, and during hearings held later by the House Veterans' Affairs Committee, points of opposition were raised which clearly indicated that the reasons given for the proposed closings were, in most instances, inaccurate. It was also indicated that the estimated $23,500,000 savings was a questionable and misleading figure.

As a result of the Senate hearings, legislation was passed to postpone the closings until May 1, 1965. As a result of testimony adduced during the House hearings, the Veterans' Affairs Committee had agreed unanimously to approve a bill to prohibit closing of VA facilities without prior approval of the committee.

Subsequent to this action, President Johnson announced that he had appointed a special committee to study the matter. He indicated that he has doubts about the correctness of the closings, and a revision might be in order. The committee is to report to the President by June 1.

It is interesting to note that some of the reasons cited by the Veterans' Administration for its closing order were: old buildings, light patient load, staffing problems, and low veteran population in the affected areas. Additionally, the VA declared that the closings would bring about more and better services to the Nation's veterans, and at the same time effect a savings of $23,500,000.

It is also worthy to note that the congressional hearings brought forth testimony indicating that the reasons given for the closures were clearly inappropriate with respect to several of the facilities scheduled for closing, and cast doubt as to whether the closings would actually effect a $23,500,000 savings.

The Disabled American Veterans welcomes economy. However, in light of what has occurred since the closings were first announced; i.e., the action to postpone, the uncertainty as to the justification of the closings, etc., we think the VA's decision to exclude from its 1966 budget request the cost of operating 32 of its facilities was definitely premature.

We respectfully urge your subcommittee to provide funds sufficient for proper maintenance and operation of the Veteran's Administration facilities named in the closing order.

HOUSE OF REPRESENTATIVES,
*Washington, D.C., April 22, 1965.*

Hon. ALBERT THOMAS,
*Chairman, Independent Offices Appropriation Subcommittee,*
*2408 Rayburn Building,*
*Washington, D.C.*

DEAR ALBERT: I understand that you have been taking testimony relating to the new Patent Office Building. There have been some statements made which are contradictory to the facts. I wish to submit the facts as I see them.

The Patent Office now has approximately 2,500 employees, of which about 1,200 are examiners with a professional engineering or science background, and varying amounts of legal training.

Because patent law activities require a unique combination of legal and technical training, patent examiners with engineering or science degrees often take night school work in law, and many succeed in getting full law degrees.

Ambitious young examiners with both engineering and law degrees, who have had several years of examining experience are prime recruitment targets for patent law firms who can tempt such individuals with substantial salary increases. The net result is that the Patent Office has historically had a turnover in patent examiners of about 20 percent per year.

While this situation has its unfortunate aspects, one can also argue that the overall result is a valuable national asset in the form of an exceptionally well-trained patent bar, who can work very effectively with the Patent Office in the prosecution of patents. In any case, this situation is not likely to change, and accordingly there will probably be less than half of the present examining staff remaining as employees after the five or six years necessary to build a new Patent Office Building.

The experience of the Atomic Energy Commission with regard to turnover problems would tend to refute the testimony of those who state flatly that the Patent Office recruitment and turnover are now only small problems in comparison to what they will be if the office is moved out of downtown Washington. Premove studies by the Atomic Energy Commission indicated that they would lose about one-third of their employees who would not move to the new location. They actually lost only 5.7 percent whose sole reason for leaving was the move to Montgomery County. Their turnover rate for 1964 was only 8 percent, or about one-half of the annual turnover rate prior to the move.

The Atomic Energy Commission is used as an example because it is similar to the Patent Office in terms of highly trained scientific and engineering specialists.

The Bureau of Standards at present has only about 250 of its employees at the new location, but they have stated virtually the same things as AEC. They also state that since they first began moving to Gaithersburg, they have received

many applications for employment from residents of Southeast and Southwest Washington who want to work at the new location.

Most of the patent examiners who leave the Patent Office give "inadequate space facilities" and parking as their prime reasons for leaving. These problems will be eliminated with the Patent Office's relocation in a new building.

Increased efficiency and reduced backlog will undoubtedly result from the Patent Office's move to new quarters. Examiners will work in private rooms where they will be better able to concentrate on the task of examining patent applications. The clerical and administrative employees will also be better able to serve the rest of the office and the public since a new building will provide for increased automation and modernized equipment and facilities.

Hence, in considering the location of a new building from the standpoint of the professional employees, the needs of those who work in the Patent Office in the era 1970–2010 are paramount. The wishes and needs of present employees should be considered, but greater emphasis should be placed on the needs of future employees, since many members of the present staff will never work in a new building.

As to nonprofessional staff, experience with the relocation of other agencies indicates that this will not be a problem. In the first place, almost 66 percent of the present nonprofessional employees live either in adjoining Maryland or in portions of the District adjacent thereto. If the experience of other agency moves is any indication, it is clear that with a lead time of several years, those employees who do not find it convenient to commute to the location will have an adequate period to find other employment.

When the trends of residential area development are taken into account, it seems likely that a suburban location would require less rather than more commuting time and expense than at present. In fact, if one assumes that there will be free parking facilities for all employees, the total overall commuting cost would be substantially reduced for a suburban building.

The employees' average rush hour traveling time to the present Patent Office location in the Commerce Building is 39 minutes. Existing highways and those which are under construction or are planned for Montgomery, Prince Georges, and their neighboring counties will undoubtedly not increase this average traveling time to a site in either of the two counties specified in the prospectus. In fact, traveling time will be less than at present for many of the Patent Office employees, almost two-thirds of whom now reside in northern Washington or in Montgomery or Prince Georges Counties.

As to the needs of those outside the Patent Office who travel from various parts of the country to do business there, it would appear that in the era 1970–2010, the most important requirements for a building location is that it should be near a major airport which will handle high-speed jet aircraft.

In contrast to the many arguments expounding the value of and interest in the Patent Office for the many tourists visiting Washington, there are relatively few persons, other than patent attorneys and some inventors, who ever visit the Patent Office.

As to the requirements of the local patent bar, it is clear that a large percentage of the community will probably wish to move their offices to a location relatively near a new suburban Patent Office location. While this will involve some expense, it is likely that with the substantial demand for such quarters which a new location would bring, adequate facilities will undoubtedly be built. The chances are also good that the resulting commuting time and expense for the average patent attorney from his home to his office would be less than at present.

It is contemplated that there will be adequate parking facilities for visitors, thus, if an attorney does not wish to move his office from downtown Washington to the new location, he can drive to the new building and not experience parking problems. From the present residential pattern of attorneys, which follows closely the residential pattern of the Patent Office employees, it would probably be less costly and easier to commute to a suburban building than to the present location in the Commerce Building.

There will be no problem in Washington patent attorneys practicing in Maryland, since the Maryland Legislature has already enacted a special law to permit them to practice in Maryland without examination.

Retention of the Patent Office in close proximity to the many other Government agencies is a fallacious argument being set forth by many patent practitioners. All state that there is the constant need for discussions and other visits between the Patent Office and other agencies.

There are now very few personal visits by Patent Office employees to other Government agencies. Those agencies most frequently visited are the Food and Drug Administration (one visit by one employee each month) and the Department of Agriculture at Beltsville, Md. (one visit by one employee every 2 months). It is not expected that these personal visits will increase. Most of the contacts with other agencies are either by mail or telephone.

Visits to the Patent Office by representatives of the Department of Defense, Atomic Energy Commission, and NASA for the purpose of examining applications for compliance with secrecy laws are relatively infrequent, averaging two per day. In addition, about once each week, an expert from one of the field offices of these agencies visits the Patent Office Secretary Group. The only personal visits by Patent Office personnel to these agencies are on a voluntary basis once or twice every 3 months.

Almost all of the reference material borrowed from the libraries of other Government agencies is borrowed through the Patent Office Scientific Library on an interagency loan basis, and not by personal visits to these libraries.

A move to a new location will not likely affect the caliber of men and women who will be recruited for the examining corps. This belief is based on the fact that few examiners are recruited from the Washington area, but instead come from all over the country. They do not join the Patent Office solely because it is located in Washington, but do so because the job the Patent Office has to offer is in the field which they have chosen as their profession. Another indication that the City of Washington is not the prime attraction for those who join the Patent Office staff can be found by reviewing the records of those who have left the office. Very few of them have remained in the Washington area.

Many arguments have been advanced by those persons outside the Patent Office who do not wish to be inconvenienced in any way. They all recognize the imperative need for a new Patent Office Building but do not wish to go on record supporting a site away from downtown Washington.

I hope you will forgive this lengthy letter. However, this is a matter in which I am personally and vitally interested and which is highly important to the State of Maryland. For this reason, I am making a personal plea for your wise and favorable judgment when considering the subject appropriation.

Kindest personal regards,

Sincerely yours,

GEORGE.

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