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ACTIVITIES REPORT

OF THE

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

EIGHTY-FIFTH CONGRESS

FIRST AND SECOND SESSIONS

1957–1958

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ACTIVITIES REPORT OF THE COMMITTEE ON GOVERNMENT OPERATIONS, 85TH CONGRESS

PART. I. GENERAL STATEMENT OF ORGANIZATION AND ACTIVITIES

A. JURISDICTION, DUTIES, AND POWERS

The jurisdiction and duties of the Committee on Government Operations are set forth in rule XI–8 of the House of Representatives, as follows:

> All proposed legislation, messages, petitions, memorials, and other matters relating to * * * (a) budget and accounting measures, other than appropriations, and (b) reorganizations in the executive branch of the Government shall be referred

to the Committee on Government Operations.

The Committee on Government Operations—

> shall have the duty of—
>
> (1) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the House as it deems necessary or desirable in connection with the subject matter of such reports;
>
> (2) studying the operation of Government activities at all levels with a view to determining its economy and efficiency;
>
> (3) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government;
>
> (4) studying the intergovernmental relationships between the United States and the States and municipalities and between the United States and international organizations of which the United States is a member.

In addition, the committee has the duty to "exercise continuous watchfulness" as set forth in section 136 of the Legislative Reorganization Act of 1946, as follows:

> To assist the Congress in appraising the administration of the laws and in developing such amendments or related legislation as it may deem necessary, each standing committee of the Senate and the House of Representatives shall exercise continuous watchfulness of the execution by the administrative agencies concerned of any laws, the subject matter of which is within the jurisdiction of such committee; and, for that purpose, shall study all pertinent reports and data submitted to the Congress by the agencies in the executive branch of the Government.

In order to fulfill these comprehensive duties, the Committee on Government Operations, is 1 of the 3 standing committees of the House of Representatives which has been given the following powers:

> For the purpose of performing such duties, the committee, or any subcommittee thereof when authorized by the committee, is authorized to sit, hold hearings, and act at such times and places within the United States, whether or not the House is in session, is in recess, or has adjourned, to require by subpena or otherwise the attendance of such witnesses and the production of such papers, documents, and books, and to take such testimony as it deems necessary. Subpenas may be issued under the signature of the chairman of the committee or of any subcommittee, or by any member designated by any such chairman, and may be served by any person designated by any such chairman or member.

B. ORGANIZATION

In order to perform its functions and to carry out its duties as fully and as effectively as possible, the committee, under the leadership of its chairman, the Honorable William L. Dawson, of Illinois, at the beginning of the 84th Congress established seven regular subcommittees having agency and functional jurisdiction similar to corresponding subcommittees of the Committee on Appropriations. These seven regular subcommittees, which cover the entire field of executive expenditures, were continued in the 85th Congress. Their names and chairmen are as follows:

Executive and Legislative Reorganization Subcommittee, Hon. William L. Dawson, chairman.

Military Operations Subcommittee, Hon. Chet Holifield, chairman.

Intergovernmental Relations Subcommittee, Hon. L. H. Fountain, chairman.

Public Works and Resources Subcommittee, Hon. Earl Chudoff, chairman (1st sess.); Hon. Robert E. Jones, chairman (2d sess.).

International Operations Subcommittee, Hon. Porter Hardy, Jr., chairman.

Legal and Monetary Affairs Subcommittee, Hon. John A. Blatnik, chairman.

General Government Activities Subcommittee, Hon. Jack Brooks, chairman.

In addition, two special subcommittees handled special problems. The special subcommittees and their chairmen are:

Special Donable Property Subcommittee, Hon. John W. McCormack, chairman.

Special Government Information Subcommittee, Hon. John E. Moss, chairman.

C. INVESTIGATIVE AND LEGISLATIVE REPORTS; REVIEW OF REPORTS OF THE COMPTROLLER GENERAL

In the 85th Congress, the committee approved and submitted to the House of Representatives 41 investigative reports, 10 more than the previous record number submitted in the 84th Congress. In addition, the committee issued as committee prints 11 documents of a background nature.

Two hundred and seventy bills and resolutions were referred to the committee and were studied. Of these, the committee reported 40 favorably, and 36 were enacted into law. In addition, two reorganization plans were referred to the committee, both of which were considered carefully before they went into effect.

Pursuant to its duty of studying reports of the Comptroller General, the committee received and studied 183 such reports during the 85th Congress.

The actions taken by the committee with respect to all these matters, as well as a considerable number of matters handled by the committee without the formality of a printed report, are discussed in detail below.

PART II. LEGISLATION AND REORGANIZATION PLANS

A. LEGISLATION

Two hundred and seventy bills and resolutions were referred to the committee in the 85th Congress. Of these, the committee reported 40 favorably to the House, and 36 were enacted into law. The wide scope of the committee's responsibilities in the field of legislation is illustrated by the following summary of its major legislative actions.

Budget and accounting

Under rule XI–8 of the House of Representatives, the committee receives budget and accounting measures other than appropriations. Legislation governing the budget and accounting system of the Government is basic both to congressional control over the purse and to efficient management in Federal administration. As finally enacted, H. R. 8002, reported by this committee, makes important changes in Federal appropriation procedures by directing the President to propose annual accrued expenditure limitations in instances where he has determined that a satisfactory system of accrued accounting has been established and authorizing the Congress to place such limitations in appropriations bills (Public Law 85–759).

The committee also reported favorably H. R. 6900, designed to reemphasize the authority of the Comptroller General to make certain examinations of expenditures and to assist the Appropriations Committee in considering the budget (H. Rept. 567).

Hearings were also held on H. R. 11441 and companion bills to prohibit the withholding and impoundment of appropriations. As an adjunct to the hearings and consideration of the bills, the staff prepared a questionnaire dealing with the apportionment process and the establishing of reserves of appropriated funds under section 3679 of the Revised Statutes. An amendment to the Antideficiency Act to require reporting of such actions was prepared as a result of the study of the hearings and responses to the questionnaire.

The committee notes that the conference report on Public Law 85–724 (H. R. 12738), Department of Defense appropriation bill, 1959, requests that the Bureau of the Budget establish procedures requiring reports to the Congress of each budgetary reserve made by the executive officials in effect at the end of each quarter and of the purpose for which such reserve was created.

Standards for Government advisory committees

During the 84th Congress, the committee made an extensive inquiry into the operations of advisory committees to the various departments and agencies (See H. Rept. 2894, 84th Cong., 2d sess.). As a result of the inquiry and the recommendations in the report, H. R. 3378 was introduced by Congressman Dante B. Fascell, a member of the committee, to amend the Administrative Expense Act of 1946. Following hearings on this measure, H. R. 7390 was introduced by Congressman Fascell as a clean bill in lieu of H. R. 3378. H. R. 7390 would have amended the Administrative Expense Act of 1946 by establishing certain definite standards for the creation and functioning of such advisory committees. The bill was approved and passed the House on July 10, 1957. (See printed hearings and H. Rept. 576).

Validating certain improper payments to female Air Force personnel

At the request of the Department of Defense, the committee chairman introduced H. R. 3028, to validate certain payments made to female Air Force personnel by the Department of the Air Force which had been subsequently ruled illegal by the Comptroller General. Approval of the measure was recommended because of (*a*) the hardship which otherwise would be put on those who received the payments and (*b*) the expense of recoupment to the United States Government. The bill was reported favorably by the full committee, and passed the House (H. Rept. 144). The House subsequently concurred in a Senate amendment designed to prevent the situation from arising again. The amendment provides that future regulations relating to pay and allowances be approved under procedures prescribed by the Secretary of Defense (Public Law 85–272).

Procedures in the payment of Government checks

At the request of the Secretary of the Treasury, the committee chairman introduced H. R. 8195, a bill to facilitate the payment of Government checks, and for other purposes. This measure, a part of the joint accounting program, will produce economies in both the Treasury Department and the General Accounting Office. It will simplify and improve the accounting methods and procedures incident to the payment of Government checks which are lost, stolen, or destroyed, as well as simplifying related accounting operations now prescribed by law. The bill was reported favorably by the full committee, and passed the House. (See H. Rept. 666.)

Following passage of H. R. 8195, the House passed the Senate companion bill, S. 1799, after first substituting the language of H. R. 8195 for that in S. 1799. This measure, as amended, was agreed to by the Senate and became Public Law 85–183.

Extending Reorganization Act of 1949

At the request of the President, the chairman introduced a bill, H. R. 6711, to extend the authority of the President to submit reorganization plans to the Congress. Prior authority expired on June 1, 1957. After hearings and deliberations, the committee recommended that this authority be extended for 2 years and that the Reorganization Act of 1949 be amended to provide that reorganization plans could be disapproved by a simple majority vote of either House rather than by a constitutional majority.

H. R. 8364, a clean bill, was reported favorably by the committee and passed the House. (See printed hearings and H. Rept. 657.) H. R. 8364 was laid on the table, and the House passed S. 1791, the companion Senate bill, after substituting the language of the House bill. The Senate agreed to the House amendment and the bill became Public Law 85–286.

Payments in lieu of taxes

H. R. 12165 will continue for a period of 2 years the payments in lieu of taxes required under Public Law 288 of the 84th Congress. These were payments as temporary relief to State or local taxing authorities where real property having a taxable status under the Reconstruction Finance Corporation or any of its subsidiaries had been transferred to a Government department and thus had been

removed from State and local tax rolls. Public Law 388 provided that payments in lieu of taxes could be made on each date taxes became due after January 1, 1955, and prior to January 1, 1959, in an amount equal to the amount of the real-property tax which would be payable if legal title to such real property had been held by a private citizen on such date and during all periods to which such date relates.

No payments could be made nor any liability established after December 31, 1958. The committee concluded that inequities still exist and that the payments should be continued for 2 more years.

Following the reporting of this measure to the House (H. Rept. 2024), it was laid on the table, and the Senate companion bill, S. 3677, was passed and became Public Law 85–579.

Travel expenses of Federal employees

Public Law 85–858, considered by the committee as S. 1903, amends the Administrative Expense Act of 1946 to provide that Presidential appointees who are confirmed by the Senate and who serve for a fixed term at posts of duty outside the continental United States may return to their homes every 2 years and bring their families at Government expense.

Existing law (5 U. S. C. 73b–3) authorized expenses of round-trip travel of employees and transportation of their immediate families from posts of duty outside the continental limits of the United States to the places of their actual residence in the United States at the time of their appointments or transfers for purposes of taking annual leave, provided they sign agreements to serve another tour of duty overseas, usually for a period of 2 years. The Comptroller General had ruled (34 C. G. 610) that Presidential appointees for specific terms must serve the full term of their appointments before returning to the States at Government expense. The new act provides travel benefits for Presidential appointees similar to those enjoyed by nearly all other Government employees when such appointees will return to serve at least 2 more years of overseas duty (H. Rept. 2487).

Payment of travel and transportation costs to attract scientists and engineers to Federal Government service

The committee reported H. R. 11133 which provides for the payment of travel and transportation costs for persons selected for appointment to certain positions in the continental United States and Alaska. The bill was enacted, with amendments, as Public Law 85–749. The purpose of the legislation is to improve the ability of the Federal Government to attract able scientists and engineers and other personnel in short supply whose skills are essential to the national security effort and to the proper functioning of the executive departments. This legislation will place the Government on a more nearly equal footing with private industry in securing the services of such trained personnel.

The act authorizes appropriations to be used to pay for travel expenses to their first duty stations of appointees to positions in the natural and mathematical sciences, engineering, architectural, and related technical positions in the United States and Alaska where the Civil Service Commission determines there is a manpower shortage in those skills which are critical to the national security effort. This includes the appointees' immediate families and household effects,

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but the appointees must agree in writing to remain with the Government for 1 year. This authority will expire 2 years after the date of enactment—August 25, 1958 (Public Law 85–749; H. Rept. 1764, S. Rept. 2185).

Issuance of checks and continuation of accounts in the Post Office Department

Public Law 85–340 was considered by the committee as H. R. 4499 and as the Senate's companion bill, S. 916. The new act provides for the issuance of checks and the continuation of accounts in the name of the disbursing officer for the Post Office Department, in the case of the death, resignation, or separation from office of such officer, for a period not to exceed the last day of the second month following the month in which such death, resignation, or separation from office occurs.

Similar authority already existed (5 U. S. C. 249b) in the case of Treasury Department disbursing officers (5 U. S. C. 249b) and of disbursing officers of the military departments (31 U. S. C. 103b). The act of March 4, 1909 (35 Stat. 1027; 31 U. S. C. 494) generally authorized temporary appointments of employees to act in case of sickness or unavoidable absence of disbursing officers of Government agencies. It did not, however, cover death, resignation, or separation of such disbursing officers.

It should be noted that the law relieves the deceased, separated, or resigned disbursing officer, his estate, or surety, from liability with respect to the continuation of accounts and the issuance of checks in his name. The Government is protected by the provisions of the measure which holds the assistant disbursing officers and their sureties responsible for actions they take in the name of the departed disbursing officer under the act (H. Rept. 1369, 85th Cong., 2d sess.).

Government information

In June of 1955 the chairman created a special subcommittee which was instructed to determine the restrictions placed on information by Federal executive and independent agencies and to suggest remedies for any unjustifiable restrictions. A general outline of the activities of this special subcommittee is set forth on page 24 of the activities report of this committee for the 84th Congress. The first report of the committee on this subject is House Report 2947, 84th Congress, 2d Session.

During the 85th Congress a total of seven bills were introduced in the House, proposing amendments to the so-called housekeeping statute (5 U. S. C. 22 (Rev. Stat. § 161)). This section of the United States Code is the executive department's basic housekeeping statute which had been used as the basis of a claim authority to withhold information.

A single report (H. Rept. 1461, 85th Cong., 2d sess.) was issued by the committee on March 6, 1958, covering all such bills referred to it and submitting a proposed amendment to the statute. The report states that the purpose of the freedom-of-information amendment to the housekeeping statute is to return that law to the original purpose for which it was intended—the estabishment of filing systems and the handling of day-to-day Government business, and thereby to prevent executive officials from twisting the law into a claim of authority to restrict information. The report sets forth the background of the amendment and lists instances of misuse of

the housekeeping law to restrict information. It also digests opinions of Government and nongovernment lawyers on the effect of the amendment and sets forth both the statements of opposition to the legislation and the statements of its proponents.

H. R. 2767 (the consolidated measure reported by Rept. No. 1461) was passed without a dissenting vote by the House of Representatives on April 16, 1958. An identical measure, S. 921, was passed by the Senate on July 31, 1958, and H. R. 2767 was substituted for the Senate bill. H. R. 2767 was signed into law by the President on August 12, 1958, and became Public Law 85–619.

In addition, the Government Information Subcommittee members cooperated with members of other committees of the House to work out legislation which would make specific areas of information available to the public and the Congress. Working cooperatively with the Ways and Means Committee, subcommittee members proposed amendments to H. R. 8381, the major tax revision bill, to make public applications for tax exemption by nonprofit, nonpolitical organizations. Such legislation originally had been agreed to by Treasury Department officials in subcommittee hearings in November 1955. The freedom of information provisions proposed by the subcommittee were included in the tax revision bill which became Public Law 85–866 (Taxes-Technical Amendments Act of 1957).

Freedom of information provisions were proposed by subcommittee members for legislation establishing a new weather-control agency and a new National Aeronautics and Space Agency. Language proposed for the bill amending the National Science Foundation Act of 1950, to provide for research in the field of weather modification, removed restrictions on all information gathered by the agency except information withheld to protect the national security or information required to be withheld under other statutes. The legislation including this freedom-of-information provision became Public Law 85–510.

Similar language was proposed by subcommittee members for legislation establishing the new space agency. The report issued in connection with this legislation (H. Rept. 1770, 85th Cong., 2d sess.) clearly sets forth the intent of Congress to make available all possible information to the public. This freedom-of-information provision is included in Public Law 85–568.

Both the space agency and weather modification legislation contain specific language prohibiting restrictions on information to the Congress. Subcommittee members also proposed an amendment to S. 3880, creating a new Federal aviation agency, stating that nothing in the information sections of the legislation "shall authorize the withholding of information by the board or administrator from the duly authorized committees of the Congress." This language is included in Public Law 85–726.

A major development affecting the availability of information from the Federal Government was House approval of H. R. 7390, previously referred to. The report on this bill includes the statement that minutes of meetings of the myriad governmental advisory committees shall be available to the public, subject only to security and other restrictions specifically provided by law.

Another important legislative development in the information field was action by both the House and the Senate, abolishing the Office

of Strategic Information in the Department of Commerce. Funds for this agency, found to be uneconomical and inefficient by this committee, were deleted from the Department of Commerce budget by the House and Senate Appropriations Committees.

Disposal of surplus property

The committee has general legislative jurisdiction over disposals of Federal surplus property under the Federal Property and Administrative Services Act of 1949, as well as proposed amendments to the act itself. Under this statute, Congress has laid down certain general rules and created administrative machinery for disposals of Federal surplus property pursuant to article 4, section 3, of the Constitution, which provides:

> The Congress shall have power to dispose of and make all needful rules and regulations respecting the Territory or other property belonging to the United States.

From time to time legislative proposals are made for disposals of individual parcels of property as exceptions to the general laws enacted by the Congress. The committee has had a substantial legislative workload in considering and passing upon many bills for such disposals. In each case the committee has had to consider the particular details and circumstances of the proposed disposal of real property belonging to the United States. The particular circumstances have to be weighed against considerations of national policy and national interest to see whether there is a justification for departure from the established general statutory procedure. During the 85th Congress the committee received 44 bills providing for the disposal of parcels of real property and reported 14 favorably to the House. Of these bills 13 passed the House and 12 became law.

Amendments to the Federal Property and Administrative Services Act of 1949

Public Law 85–486 was introduced in the Senate as S. 2224 and its companion bill in the House as H. R. 8244. The purpose of S. 2224 was to establish on a permanent basis authority for the Administrator of General Services to dispose of surplus property by negotiation in certain defined instances when in the public interest. The bill stated that disposal of surplus property must be accomplished by public advertising, except as otherwise authorized, and sets forth the advertising procedure to be followed. The bill was amended to restrict the authority contained in certain provisions so as to apply only to personal property and to continue the present procedure in reporting to Congress those instances where disposal of surplus property is to be made by negotiation rather than competitive bidding. The bill, as amended, became law on July 2, 1958. This committee's report on the measure is House Report 1763.

S. 2533, as referred to the committee, had as its purpose to amend the Federal Property and Administrative Services Act of 1949, so as to authorize the Administrator of General Services to increase to 15 years the maximum period of leases entered into by the General Services Administration for the purpose of housing Federal agencies and warehouse storage, and also to authorize the Administrator to use rentals from the subleasing of surplus space to defray costs of necessary services to lessees of the Government and to pay any neces-

sary rentals on the primary lease. The bill was reported to the House, House Report 1814, after being amended to reduce from 15 to 10 years the maximum term of leases the Government could enter into and to continue the statutory limitation on the amount of money which could be spent for alterations, improvements, and repairs of such leased space. The bill became Public Law 85–493 on July 2, 1958.

The committee reported S. 2752 to the House on June 18, 1958 (H. Rept. 1920, 85th Cong., 2d sess.). The purpose of this bill was to amend section 207 of the Federal Property and Administrative Services Act of 1949, to increase the exemptions from referral to the Attorney General of proposed disposals of surplus property for his advice as to whether or not such disposals would be inconsistent with the antitrust laws. The bill was also designed to effect certain changes in respect to the procedure for such referrals to the Attorney General by the disposal agencies. The bill was amended to accomplish two purposes:

A. To retain as to surplus real property the existing acquisition (plus capital improvements) cost figure of $1 million as the determinant as to whether a proposed disposal is referred to the Attorney General for his advice as to any inconsistency with the antitrust laws.

B. To continue in effect the present required submission to the Attorney General of all proposed disposals of personal property classified as scrap or salvage, although increasing the acquisition cost from $1 million to $3 million which would be applicable to usable personal property under the bill.

The Senate agreed to the House amendments and the measure became Public Law 85–680 on August 19, 1958.

The committee had referred to it S. 3873. The measure was reported, House Report 2508 and became Public Law 85–781 on August 27, 1958. This law amends section 201 of the Federal Property and Administrative Services Act of 1949, to authorize the interchange of inspection services between executive agencies and the furnishing of such services by one executive agency to another without reimbursement or transfer of funds. This will eliminate the requirement for monetary reimbursement for inspection services rendered by 1 executive agency to another, and authorizes administrative procedures whereby 1 executive agency may exchange its inspection services with those of other agencies on a reimbursement-in-kind basis, and, under certain conditions, waive reimbursement for such services furnished to another agency.

An amendment to the Federal Property and Administrative Services Act of 1949 so as to extend the authority of the Administrator of General Services to lease out Federal building sites until needed for construction purposes was contained in S. 3142. This bill also amends the act of June 24, 1948 (62 Stat. 644), to eliminate the separate fund established for the maintenance of commercially leased space in the Lafayette Building, Washington, D. C. The bill authorizes the General Services Administration to negotiate leases with former owners or tenants in possession of property immediately after the Government acquires the property. It also amends existing law to permit the General Services Administration to deposit the rent received from such lessees, as well as the rental money received from the lessees of space in the Lafayette Building, Washington, D. C., into a single buildings management fund instead of being held in separate special accounts. Expenditure for demolition and site im-

provements would be authorized. This measure was enacted as Public Law 85–886 (H. Rept. 2662, 85th Cong., 2d sess.).

Public Law 85–341, reported by the committee as H. R. 8795 designated the Franklin D. Roosevelt Library at Hyde Park, N. Y., as a "Presidential Archival Depository" and provided that its contents shall be administered under the applicable provisions of the Federal Property and Administrative Services Act of 1949.

B. REORGANIZATION PLANS

Under rule XI–8 of the House of Representatives, the committee receives all proposed legislation and other matters relating to "reorganizations in the executive branch of the Government." Pursuant to this rule, the committee received and acted upon Reorganization Plan No. 1 of 1957 and Reorganization Plan No. 1 of 1958. As heretofore noted, the President's authority under the Reorganization Act of 1949 to submit plans was extended for 2 years.

Reorganization Plan No. 1 of 1957

On April 29, 1957, the President transmitted to the Congres of the United States Reorganization Plan No. 1 of 1957. This reorganization plan provided for the final liquidation and abolishment of the Reconstruction Finance Corporation.

In accordance with law, liquidation of the assets and the winding up of the affairs of the RFC had been proceeding for several years. Reorganization Plan No. 2 of 1954 expedited and simiplified liqudation by transferring certain functions of the Corporation to the Export-Import Bank of Washington, the Small Business Administration and Federal Mortgage Association. Reorganization Plan No. 1 of 1957 transferred the then remaining functions to appropriate officers of the Government and abolished the Corporation.

Committee study indicated no serious objection to the plan and no disapproving resolution was introduced. Consequently the plan became effective on June 30, 1957.

Reorganization Plan No. 1 of 1958

On April 24, 1958, the President transmitted to the Congress Reorganization Plan No. 1 of 1958. The plan was referred to the committee for consideration. This plan provided for the consolidation of Federal defense mobilization and civil defense functions and new arrangements for their performance.

The President in his message accompanying the plan stated that "In formulating Reorganization Plan No. 1, I have had the benefit of several studies made by the executive branch as well as those conducted by the Congress." Some of those studies were made by this committee and some of the reorganizations effected are a result of this committee's recommendations. The new office created by the plan, whose name was later changed to the Office of Civil and Defense Mobilization (Public Law 85–763), had as one of its first tasks to advise the President with respect to the actions to be taken to clarify the roles of Federal departments and agencies in carrying out nonmilitary defense preparedness functions. After such actions are taken, the direction and coordination of the civil defense and defense mobilization activities assigned to the departments and agencies will comprise a principal remaining responsibility of the new office.

Although no disapproving resolution was introduced, hearings were held on the reorganization plan, and a report was submitted to the Congress—House Report 1874. The plan took effect July 1, 1958.

PART III.—STUDIES AND INVESTIGATIONS

As brought out in the discussion in part I of this report, the Committee on Government Operations is a major instrument of the House of Representatives for studying and investigating the operations of Federal departments and agencies. The committee has organized itself so that the jurisdictions of its subcommittees cover the operations of all major Federal departments and agencies as well as activities which involve the jurisdiction of one or more Federal agencies. In addition, pursuant to its legislative mandate, the committee has made an exhaustive study of Federal-State-local government relationships.

In its activities report for the 84th Congress, the committee noted that in the years covered (1955–56) it had made a record number of reports to the House—31 in all. The committee is now proud to note that in the 85th Congress it surpassed the former record by better than 32 percent. In the 1st session of the 85th Congress (1957) the committee made 16 reports and in the 2d session (1958) it made 25 reports for a total of 41 investigative reports to the 85th Congress.

In addition, 11 staff studies were issued in committee print form. These range from compilations of materials gathered by the staff to legal monographs and other technical studies.

Since, under the committee's organization and practice, hearings are held by the subcommittees and proposed reports are presented by them to the full committee for consideration and approval, the discussion of formal reports will be grouped for discussion below under the names of the originating subcommittees in the order in which the subcommittees are listed in the committee calendar.

FORMAL REPORTS

(A) *Executive and Legislative Reorganization Subcommittee*

1. *Report on Review of General Accounting Office Operations in Europe and the Major Programs Covered by the General Accounting Office in the European Area.* House Report 1281, January 15, 1958 (17th report of committee, 85th Cong.).

The report covers a review by the subcommittee of General Accounting Office activities in Europe, North Africa, and the Near East. The review was accomplished through staff investigations in 10 European and Asian countries and hearings conducted by the subcommittee in 4 European countries. The report reflects the findings of the subcommittee with respect to the operations of the European Branch, General Accounting Office, including a review of all reports issued by the Branch; a review of selected program operations on which it has either issued reports or is in the process of conducting reviews; and a review of the operations of selected agencies and programs independently of current or prior General Accounting Office reviews. The observations, conclusions, and recommendations of the committee covered 6 broad areas, as follows:

A. The right of congressional committees to hold hearings in Government occupied buildings in foreign countries without interference from any agency of the Government.

B. European operations of the General Accounting Office with respect to—

(1) Expansion of the comprehensive audit approach in the European operation.

(2) Improvement of the reporting procedure of the European Branch.

(3) Modification of existing departmental or agency regulations which deny or impede access to information and records by the Comptroller General or his representatives.

C. Military assistance program: The committee recommended immediate action by the Department of Defense to review and reappraise the military-assistance program in the light of the conclusions and recommendations made by the Comptroller General as a result of his worldwide and comprehensive review of the program. The principal recommendations emphasized the need for:

(1) Revision of accounting and reporting procedures.

(2) Establishment of internal audit and management review program.

(3) Development of aggregate long-range costs for achieving United States objectives in the countries being supported.

(4) Development of more realistic force objectives for the countries being supported, and clarification of programing responsibilities of the International Security Affairs, Joint Chiefs of Staff, and the military departments.

D. Exclusion of foreign government taxes from United States offshore procurement contracts, and recoupment of such taxes which were not excluded from prior contracts.

E. Review and reevaluation by Departments of Defense and State of policies and procedures for exclusion of foreign government profits from offshore procurement contracts.

F. Residual value of United States construction abroad: The committee recommended immediate action to negotiate agreements with the United Kingdom for payment to the United States the value of usable facilities, buildings, and equipment left on United States construction bases returned to the United Kingdom. It also recommended the immediate establishment of interim policy guidance for use by United States officials in connection with bases returned prior to consummation of diplomatic negotiations.

2. *General Accounting Office Operations in Europe (Agency Action Pursuant to Committee Recommendations)*. House Report 1610, April 16, 1958 (22d report of committee, 85th Cong.).

This report reflects the followup action initiated by the subcommittee to ascertain the progress being made to comply with the committee recommendations in House Report 1281. The report recites in detail the agency action taken pursuant to the committee recommendations and identifies the areas where further subcommittee followup is being undertaken.

3. *Research and Development (Office of the Secretary of Defense)*. House Report 2552, August 12, 1958 (32d report of committee, 85th Cong.).

This is the first report resulting from the subcommittee's study of the research and development operations of the Federal Government. In the report the committee makes 22 recommendations designed to lead to improvements in the operations of the Office of the Secretary of Defense in the research and development field and in the budgetary and accounting procedures related thereto. Printed with the report are a Historical Analysis of the Organization of Research and Development in the Office of the Secretary of Defense and a Staff Report on Budget Evaluation, Department of Defense and the Departments of the Army, Navy, and Air Force for the Fiscal Years 1950–58, as of March 31, 1958.

The committee found that the funds requested and appropriated for military research and development have not kept pace with rising costs, resulting in a lowered level of effort. The committee also found that even after moneys have been appropriated, expenditure limitations, cumbersome procedures, and repeated detailed reviews have seriously impeded the research and development effort and that "organizational units, procedures, and controls have been multiplied and complicated so that research activities have become enmeshed in a web of redtape that threatens to stifle the initiative and imagination of the men we must count on for our scientific advancement."

Noting that the Defense Department Reorganization Act of 1958 (Public Law 85–599) gives the Secretary of Defense an opportunity to reorganize his own Office, the committee recommends that such reorganization be designed to integrate rather than to splinter further the control of research and development.

The report makes a number of other constructive findings and recommendations on the following subjects:

A. Organizational Structure for Research and Development: Office of the Secretary of Defense.

B. The Financing of Military Research and Development.

C. The Problem of Retrenchment.

D. Research and Planning for the Future.

E. Duplication and Interservice Rivalry.

F. The Transition From Research to Development and Production.

G. Need for Management Study at the Office of the Secretary of Defense Level.

Additional views were filed.

4. *Importation of Foreign Excess Property.* House Report 2661, August 18, 1958 (37th report of committee, 85th Cong.).

The report defines the purpose of the investigation as a study of the manner in, and the efficiency with, which the foreign excess property clause of section 402 of the Federal Property and Administrative Services Act of 1949 (Public Law 152, 81st Cong.), reported by this committee, has been administered by the Department of Commerce.

This report points out procedural defects in the Commerce Department developed during the hearings and makes six findings and recommendations designed to rectify such deficiencies. A separate section of the report mentions collateral problems not directly related to the subject under investigation but worthy of note.

The investigation and hearings were occasioned by complaints by 12 different American industries charging that unused United States Government excess property, sold overseas at prices ranging from 4

to 10 percent of the acquisition cost, was being authorized for importation into the United States by the Commerce Department contrary to section 402 which requires a finding that such importation will benefit the domestic economy of the United States.

The recommendations call for reports by the Customs Bureau on importations under permits, a more detailed description of goods on the permits, establishment by the Department of Commerce of more definite criteria for making determinations under the law, and an investigation by the General Accounting Office.

The Federal Register for December 3, 1958, contains proposed new regulations of the Commerce Department substantially in line with the committee's recommendations.

(B) *Military Operations Subcommittee*

1. *Defense Standardization Program.* House Report 822, July 17, 1957 (7th report of committee, 85th Cong.).

The report was based on hearings held by the subcommittee on cataloging and standardization in the Department of Defense on January 30, 31, and March 12, 1957. Major emphasis was given to standardization because this area has received less attention from the Congress than cataloging and because systematic progress of standardization is much less evident.

The report, which was unanimously approved by the full committee, was submitted to the Department of Defense and other interested Government agencies. It contained 11 recommendations for speeding up the standardization program and for achieving greater economy and efficiency in military supply management. The Department of Defense has acknowledged the basic validity of the committee's findings and recommendations and has promised to give special attention to improvements in defense standardization.

The General Services Administration, which has standardization responsibilities for civilian Government agencies, also has commended the report. The Bureau of the Budget and the General Accounting Office have likewise studied the report and have promised to give close attention to the defense standardization program.

2. *Status of Civil Defense Legislation.* House Report 839, July 22, 1957 (8th report of committee, 85th Cong.).

Following the compreheusive investigation of civil defense and the committee report approved in 1956 (H. Rept. 2946, 84th Cong., 2d sess.), legislation was prepared embodying the committee's recommendations on civil defense. All members of the subcommittee and several other Members of Congress introduced identical bills—H. R. 2125 and others.

Continuing its study and investigation of civil defense, the subcommittee held hearings on the proposed new civil defense legislation in February and March 1957.

The objectives of the proposed legislation were widely endorsed by national organizations and civic associations interested in civil defense. Numerous minor amendments were suggested. These were the subject of subcommittee staff study. In the meantime the committee decided to make an interim report, as identified above.

A minority report was filed.

3. *Military Tank Procurement.* House Report 958, July 31, 1957 (10th report of committee, 85th Cong.).

This report, which reviewed the development of the heavy-tank program and specific procurement contracts, was the subject of hearings in public and executive session in March 1957. In view of the complex contractual matters involved, the committee recommended that the General Accounting Office audit the tank procurement under inquiry with specific attention to the matters designated by the committee.

4. *Military Clothing Procurement.* House Report 1168, August 14, 1957 (13th report of committee, 85th Cong.)

This report covered military-clothing contracts let by the military agencies to companies owned or controlled by Herman D. Wynn. It examined also the specific contract let to Wynn Enterprises, Inc., headed by the wife of Robert Tripp Ross when he was Assistant Secretary of Defense for Legislative and Public Affairs.

Public hearings were held in April 1957.

The committee made 30 recommendations for improving military procurement in clothing and related fields. The report was submitted to the Department of Defense and other interested agencies for analysis and comment.

5. *Letter Contracts and Contract Terminations in Military Procurement.* House Report 1169, August 14, 1957 (14th report of committee, 85th Cong.)

This report embodied three surveys made by the General Accounting Office at the request of the subcommittee at the conclusion of its investigation, during the 84th Congress, of the Navy procurement of Demon aircraft. The surveys covered the use of letter contracts and the termination of procurement contracts by the three military departments for the fiscal years 1954, 1955, and 1956.

The subcommittee's work in this field has been noted by the House Committee on Appropriations in its own procurement studies. As a result of the subcommittee's earlier investigations into Navy procurement, the Comptroller General has decided to examine letter contracts and contract terminations as a regular part of his defense audit program.

6. *Military Clothing Procurement* (*Executive Action in Response to Committee Recommendations*). House Report 1370, February 20, 1958 (18th report of committee, 85th Cong.).

Pursuant to investigations conducted and recommendations made during the previous session, the committee was able to secure numerous specific changes in procedures affecting the procurement of military clothing. Many of these changes have general application to procurement actions throughout the Department of Defense and other Government agencies.

Altogether the committee sponsored 30 recommendations, of which 26 were directed to the Department of Defense, with the remaining 4 applying to the Department of Labor, the Small Business Administration, and the General Accounting Office.

Action is now being taken by the Department of Defense to comply with all of the committee's recommendations. In some instances changes are being incorporated in the Armed Services Procurement Regulation, and in many cases further action is being taken to enforce contractual obligations on the part of delinquent and uncooperative contractors.

As a result of specific recommendations made in this report, the Department of Defense, cooperatively with the Small Business Ad-

ministration and the Department of Labor, is taking steps to insure that irresponsible bidders will be weeded out from Government procurements. A much-needed clarification of bidder responsibility under the Walsh-Healey Public Contracts Act was made by the Department of Labor and included in the Code of Federal Regulations as a result of the subcommittee's findings and recommendations.

At the subcommittee's request, and in the light of its recommendations, the General Accounting Office is making a comprehensive survey of procedures and operations of the Philadelphia Quartermaster Depot in connection with textile and clothing procurements.

7. *Military Aid and Supply Programs in Western Europe.* House Report 1371, February 20, 1958 (19th report of committee, 85th Cong.).

During the first session the committee completed an investigation of military aid and supply programs in Western Europe. This investigation comprised a careful examination of expenditures and a study of operations with a view to improving overall management of the programs and reducing waste and inefficiency in operations.

The new supply concepts and the improved organization recommended by the committee, in addition to saving many millions of dollars, should increase the efficiency of these programs and add substantially to our military strength in Western Europe.

Some of the committee's recommendations have been adopted by the executive branch and others are now under study. One of the principal recommendations, relating to the establishment of organizational unity at the theater command level, was reflected in the recent reorganization of the Department of Defense.

Additional views were filed.

8. *Analysis of Civil Defense Reorganization (Reorganization Plan No. 1 of 1958).* House Report 1874, June 12, 1958 (26th report of committee, 85th Cong.).

The committee reviewed various programs of the Federal Civil Defense Administration and examined the reorganization plan which provided for the consolidation of the Federal Civil Defense Administration and the Office of Defense Mobilization.

The reorganization plan resulted partly from previous recommendations of the Military Operations Subcommittee.

The committee's searching and critical examination of this reorganization measure is reflected in its report on this subject.

Also during the past session the General Accounting Office, at the request of the subcommittee, conducted an investigation of alleged irregularities at certain regional offices and headquarters of the Federal Civil Defense Administration.

These investigations and studies should contribute substantially to better management and more effective expenditure of funds for civil defense.

A minority report was filed.

9. *Military Air Transportation.* House Report 2011, June 26, 1958 (28th report of committee, 85th Cong.).

Upon receipt of numerous petitions from organizations and individuals representing commercial air carriers in the United States, the subcommittee undertook an investigation of Department of Defense operations in the transportation of military air cargo and passengers. The numerous issues and points of controversy involved necessitated a

broad view of the military airlift program, including the emergency role of civil air carriers in support of the national defense.

As a result of this investigation, the committee was able to formulate 22 recommendations designed to achieve a modern and efficient military airlift program, making maximum use of commercial resources and achieving increased defense capability at minimum cost.

Despite the controversy surrounding this subject, the committee's investigation and report are widely recognized as being both balanced and constructive.

The report has been acknowledged by Commerce Secretary Sinclair Weeks as "a full and fair presentation of the problems in this field clearly stating the pertinent views on all sides of the important questions." Secretary Weeks endorsed all the objectives of the subcommittee's 22 recommendations.

While the Department of Defense has not yet transmitted its response to the committee, the President's special assistant on aviation, Gen. E. R. "Pete" Quesada, has noted the timeliness of the report and has expressed an interest in working with the subcommittee on some of the problems involved. Recently he met with the subcommittee and stated that the subcommittee's report was getting careful attention by all interested and responsible authorities in the executive branch.

Specific recommendations made by the subcommittee during the hearings, and transmitted to the appropriate departmental secretaries by letter, resulted in revisions of certain flight safety regulations and reexamination of other policies affecting military air traffic control.

10. *Atomic Shelter Programs.* House Report 2554, August 12, 1958 (34th report of committee, 85th Cong.).

In addition to submitting an analytical report on civil defense reorganization, the committee reviewed Federal expenditures and programs for atomic shelter designs in a separate report. Joined with the committee's interest in efficient administration, is a concern for a strong and effective nationwide civil defense. The committee's pioneer congressional work in this field has been recognized by leading authorities, and by thousands of interested citizens who have written to the subcommittee for copies of the hearings and reports.

In continuation of its previous investigations and studies in civil defense, the committee undertook an extensive examination of atomic shelter tests conducted at the Nevada Proving Grounds. While the atomic tests and field experiments carried out by the United States during the previous 8 years were included in the committee's study, primary emphasis was given to the data produced in the most recent test series.

The report summarizes the committee's findings, together with data on related civil defense activities in the United States and in certain foreign countries.

Additional views were filed.

11. *Rocket Launcher Procurement.* House Report 2660, August 18, 1958 (36th report of committee, 85th Cong.).

During the past session the subcommittee concluded a 3-year investigation of aircraft rocket launcher procurements by the Navy and Air Force. This investigation, which included formal testimony, field inquiries, and the examination of thousands of file documents, uncovered a great many deficiencies in military procurement procedures.

(C) *Intergovernmental Relations Subcommittee*

1. *Replies from State and Local Governments to Questionnaire on Intergovernmental Relations.* House Report 575, June 17, 1957 (6th report of committee, 85th Cong.).

In 1956, all State governors and a large number of major and county officials were asked to give their views on a series of broad questions relating to Federal programs of an intergovernmental nature. Replies from 42 of the 48 States, from 53 cities, and from 44 counties were received and analyzed in 1956 and early 1957. A 542-page report was prepared by the committee containing the complete replies from all State and local officials and an analysis of the views they expressed; however, this report did not attempt to render any judgment as to the merits of such views.

The subcommittee has filled a large number of requests for this document from Federal, State, and local officials, educators, libraries, and other interested organizations and individuals. These same sources are continuing to send in a substantial number of requests for the committee's earlier documents. The committee is filling these requests, to the extent permitted by its limited supply, and has received a number of letters from recipients commenting on the usefulness of the committee's series of documents on intergovernmental relations.

2. *Activities of the Department of Health, Education, and Welfare Relating to Polio Vaccine.* House Report 1175, August 15, 1957 (15th report of committee, 85th Cong.).

In October 1956, the subcommittee held public hearings concerning expenditure of Federal funds for polio vaccine. Witnesses from the Department of Health, Education, and Welfare, and the Justice Department were called to testify. Disclosures at these hearings led to a Federal grand-jury investigation, now in progress at Trenton, N. J., of a possible price-fixing conspiracy in the sale of polio vaccine. If such a conspiracy is shown to exist, Federal and State governments could recover treble damages for any excessive charges which were paid for polio vaccine as a result of the conspiracy.

In March 1957, an additional public hearing was held at which witnesses from the Public Health Service testified concerning activities relating to assisting State and local governments in the prevention of polio; the supply of, demand for, and distribution of vaccine; and the collection and dissemination of information concerning polio vaccine.

A report on activities of the Department of Health, Education, and Welfare relating to polio vaccine was prepared by the subcommittee and unanimously adopted by the full committee. The subcommittee is continuing to study further developments relating to polio-vaccine activities of the Department and will hold further hearings and make a further report if necessary.

3. *Federal-State-Local Relations, Federal Grants-In-Aid.* House Report 2533, August 11, 1958 (30th report of committee, 85th Cong.).

This report is based on more than 2½ years of intensive study by the subcommittee following reference to it of the Report of the Commission on Intergovernmental Relations (Kestnbaum Report). It offers guidelines for the proper consideration of grant proposals, and recommends the establishment of needed machinery for improving intergovernmental cooperation. The report outlines the historical development of Federal grants, discusses their financial significance,

and gives a brief description of each existing grant program. The appendix contains a compilation of specially prepared background information and statistical tables.

Additional views were filed.

(D) *Public Works and Resources Subcommittee*

1. *Private Electric Utilities' Organized Efforts To Influence the Secretary of the Interior (Ebasco Services, Inc.) and Rocky Mountain Group.* House Report 213, March 21, 1957 (3d report of committee, 85th Cong.).

This report deals with the efforts of a group of Rocky Mountain power companies and Ebasco Services, Inc. (a wholly owned subsidiary of the Electric Bond & Share Co.), to influence and guide the top officials of the Department of the Interior, by means of an elaborate distorted, inaccurate, and anonymous brochure, in formulating and implementing their power policies and to create in those top officials a hostility to the Federal power program as it had been established by Congress.

The investigation and report further revealed (1) that the costs of this propaganda campaign were charged against advertising and administrative expense accounts which formed part of the rate bases of the companies; (2) that, through Ebasco Services, Inc., the Electric Bond & Share Co. maintains a nerve center for anti-public-power and anti-Federal-power propaganda; and (3) the Interior Department officials, since 1953, have to a large extent put into effect the Ebasco program to dismantle and subvert the Federal power program.

After reviewing the report, the Federal Power Commission ruled that it was improper for the companies to charge the costs of such propaganda against the rate bases so as to be included in the cost of electricity to the consumers.

A minority report was filed.

2. *Availability of Power to Public Preference Customers From Central Valley Project (Roseville, Calif.).* House Report 218, March 25, 1957 (4th report of committee, 85th Cong.).

This report deals with the refusal of the Department of the Interior to furnish power to the city of Roseville, a preference category customer. The investigation and report demonstrated the availability of power from the project and found that adequate unallocated power was available to fill the city's requirement. Following the hearing, the Interior Department allocated to the city sufficient power to meet its needs.

A minority report was filed.

3. *Operations of the Virgin Islands Government and the Virgin Islands Corporation.* House Report 840, July 22, 1957 (9th report of committee, 85th Cong.).

The subcommittee held comprehensive hearings on the operations of the Virgin Islands government and the Virgin Islands Corporation. These hearings took place in the Virgin Islands during November and December of 1956 and in Washington, D. C., during March and May of 1957. A wide range of problems were investigated and a number of serious deficiencies were uncovered. The subcommittee's findings were adopted by the full committee in its ninth report, entitled "Operations of the Virgin Islands Government and the Virgin Islands Corporation."

The subcommittee looked into the problem of the recurring grave water shortage on the island of St. Thomas and found that the Interior Department's and the island Governor's approach to solving the problem has been one of delay, indecision, and waste. No new water facilities have been constructed there since 1949.

Among other important findings are:

(*a*) Accounting and budget controls have not yet been set up by any of the island Governors, this despite statutory requirements for such controls.

(*b*) The office of the island's government comptroller suffers from basic organizational flaws which seriously impede its effectiveness.

(*c*) Major inadequacies exist in local procedures and records affecting taxation and assessment.

(*d*) The office of the government secretary could, if properly established, provide the key to sound management of the operations of the island's government.

With respect to the Virgin Islands Corporation, the chief findings are:

(*a*) While the Corporation now appears on the verge of bringing its sugar operations out of the red, a test period of 3 to 5 years should be used to gage the ultimate trend and to determine whether the sugar operations should be disposed of to private industry or closed down altogether.

(*b*) The Corporation, in effect, subsidizes the rum industry by selling molasses to the distilleries at less than market value.

(*c*) Certain apparent conflict-of-interest situations exist involving officials of the Corporation.

At the request of the subcommittee chairman, the Commodity Stabilization Service prepared an economic appraisal of the sugar operations of the Virgin Islands Corporation, which was published as a committee print.

Additional views were filed.

4. *Army-Interior Reservoir Land Acquisition Policy.* House Report 1185, August 16, 1957 (16th report of committee, 85th Cong.).

The subcommittee held hearings during June and July of 1957 into the matter of the joint reservoir land-acquisition policy adopted in October of 1953 by the Army and Interior Departments. Under the new policy, much of the reservoir area subject to periodic inundation is now acquired as a mere flowage easement instead of the full fee-simple interest generally acquired under the previous policy. The report concludes that the change in policy has not been in the best interest of the Government and the people of the United States. More specifically, it was found that—

(*a*) Contrary to the claims of the departments, there is little, if any, monetary saving to the acquiring agency when it acquires flowage easements instead of fee-simple title.

(*b*) Contrary to the claims of the departments, there is no overall loss of tax revenue to the local units of government when the Government acquires the fee interest.

(*c*) There is less flexibility in reservoir operations when much of the land subject to inundation by the reservoir is held by the Government in easement rather than fee.

(*d*) The need for conservational and recreational use of reservoir lands is skyrocketing. Congress has recognized both uses. Nevertheless, the easement-taking policy markedly restricts such uses.

(*e*) The policy was adopted despite contrary advice of top officials of the Corps of Engineers.

A minority report was filed.

5. *Morningside Hospital.* House Report 1820, May 28, 1958 (24th report of committee, 85th Cong.).

The investigation of Morningside Hospital dealt with the care and treatment of insane patients committed to that institution from Alaska, and with the administration of contracts entered into between the Secretary of the Interior and this hospital. These contracts involved an annual expenditure of approximately $1 million. The subcommittee's investigation is expected to result in improved care and treatment of the patients. It also revealed that many thousands of dollars in taxes are due to the Federal Government from the Morningside Hospital and its controlling stockholder, Wayne Coe.

A minority report was filed.

6. *Alaska Native Loan Program.* House Report 1821 (25th report of committee, 85th Cong.).

The investigation of the Alaska native loan program concerned itself with the administration of the Interior Department's program of loans to native community associations in Alaska for acquisition and operation of salmon canneries and for relending funds to community members for the purchase of fishing boats. Hearings were held in Alaska. The subcommittee's investigation revealed that the record of repayment of these loans, representing outstanding obligations totaling more than $3½ million, was not a good one, and that the Interior Department's administration of the program had contributed to the delinquency in repayment of loans. As a result of the investigation and recommendations, it is expected that the administration of the loan program will be improved, that operation of the native canneries will become more efficient, that new policies and procedures will eliminate many of the difficulties in all phases of the loan program and result in fewer repayment delinquencies, and that a broader and more active vocational training program for the natives will be instituted. In line with the recommendations of the committee report, the Interior Department has advised that it is already working on a proposed lease-with-option-to-purchase arrangement for the individual boat-loan phase of the loan program and that, under its auspices, seminars have recently been held on vocational training for the Alaska natives.

A minority report was filed.

7. *Saline Water Program (Research and Development).* House Report 2551, August 12, 1958 (31st report of committee, 85th Cong.).

The subcommittee conducted a comprehensive inquiry into the Interior Department's administration of its saline-water program. In its inquiry, the subcommittee studied all aspects of saline-water conversion research and development to ascertain the state of present progress in this field. The investigation revealed that the program was not proceeding with the urgency and dispatch that the Congress intended, that the Office of Saline Water is understaffed and insuffi-

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ciently supported, and that both its basic research and its development work at the pilot-plant level have been lagging. As a direct result of the committee's interest, the Department of the Interior has agreed to include in future saline-water research contracts a provision that the contractor's records be available to the Comptroller General for 3 years after final payment; has made available to the public a considerable number of reports concerning saline-water research which had previously been withheld from the public; and has increased its liaison with non-Federal research institutions.

(E) *International Operations Subcommittee*

1. *United States Aid Operations in Iran.* House Report 10, January 28, 1957 (1st report of committee, 85th Cong.).

The first report approved by the Committee on Government Operations in the 85th Congress was one submitted by this subcommittee. The report, United States Aid Operations in Iran, House Report 10, was based on hearings conducted by the subcommittee in the 84th Congress. It analyzes the economy and efficiency with which technical and economic assistance was furnished to Iran in the period 1951 through 1955. A number of serious defects in the formulation and administration of this program are discussed, some of which reflect certain weaknesses in the general handling of the United States aid program. The report includes recommendations designed to strengthen the administration of the program and to prevent recurrence of the defects.

2. *Review of the Budget Formulation and Presentation Practices of the International Cooperation Administration.* House Report 449, May 17, 1958. (5th report of committee, 85th Cong.).

Beginning in February 1957, the subcommittee conducted an inquiry into the budget formulation and presentation practices of the International Cooperation Administration. Hearings were held in April to receive testimony from the Director of the International Cooperation Administration, the Comptroller General, and members of their staffs. On the basis of these hearings, study of a number of audit reports made by the Comptroller General, and of past studies made by the subcommittee with respect to specific areas—Latin America and Iran—the subcommittee submitted and the full committee approved the report.

This report discusses the existing budget practices of the International Cooperation Administration and recommends a number of changes to improve the administration of the program and to provide better information to permit better control of appropriations by Congress.

3. *State Department Public Opinion Polls.* House Report 1166, August 14, 1957 (11th report of committee, 85th Cong.).

In May 1957 the subcommittee initiated an inquiry into the conduct of public opinion polls by the Department of State. Five days of open hearings were held in July. A hearing in executive session on June 21 was subsequently included in the published hearings.

The report concluded that the polls were illegally financed with funds from the appropriation entitled "Emergencies in the Diplomatic and Consular Service." The report raised serious questions regarding the selection of questions and the validity of the sampling in con-

nection with the polls, and regarding the possibility that violations of law had occurred when the poll results were released.

4. *Use of Defense Support Funds for Economic and Political Purposes.* House Report 1374, February 22, 1958 (21st report of committee, 85th Cong.).

This report resulted from a study by the subcommittee to resolve a question, raised in the course of its review of the foreign aid operations, as to whether existing practices and procedures are adequate to determine whether defense support funds are spent prudently.

This study disclosed, among other things, that (*a*) defense support levels frequently do not have an economic basis; (*b*) a number of defense support projects do not have a military objective and are used for political purposes; (*c*) only a small portion of defense support funds are used in direct support of host country military budgets; and (*d*) defense support funds are spent in a haphazard manner.

Among other things, the report recommended that the International Cooperation Administration submit to the Congress with its annual budget presentation, commencing with the current year, a clear and detailed explanation of how the "level of aid" for defense support programs in each country has been determined. Such a statement should go well beyond the present "illustrative" material concerning the tentative use of requested funds after their appropriation, and should clearly show why a particular sum is requested rather than some other sum.

5. *Foreign Aid Construction Projects.* House Report 2012, June 26, 1958 (29th report of committee, 85th Cong.).

This report is based on a study of the administrative procedures applicable to the approximately 1,300 contracts, totaling nearly $1 billion, that have been let by United States foreign-aid agencies since 1950. The subcommittee found inadequate advance planning, defective standards and procedures for the award and administration of contracts, indifference to "conflicts of interest," incompetent supervision of the procurement of construction equipment, poor coordination between field missions and Washington and among divisions in Washington having responsibility with respect to construction projects, excessive reliance on "political urgency" to excuse deviations from sound procedures.

The committee recommended that the International Cooperation Administration undertake a major review of its policy and procedures for the award and administration of contracts to provide for equitable consideration of eligible contractors, commonly used standards of selecting the contractor, minimum use of cost-plus-fixed-fee contracts, standardization of recurrent contractual language, and an enforced policy in the field for equipment maintenance and utilization. The subcommittee also recommended that the International Cooperation Administration refrain from proceeding with projects on its own initiative without sound detailed advance planning.

(F) *Legal and Monetary Affairs Subcommittee*

1. *Railroad Accounting Procedures (Prescribed by the Interstate Commerce Commission).* House Report 1167, August 14, 1958 (12th report of committee, 85th Cong.).

The subcommittee investigated charges that Interstate Commerce Commission-prescribed railroad accounting procedures resulted in

overstatement of rail earnings, and that the Interstate Commerce Commission was failing to protect the investing public. Also at issue were other Interstate Commerce Commission-prescribed accounting practices allegedly at variance with generally accepted accounting principles. Witnesses at the subcommittee hearings included accountants, representatives of the railroad industry, the American Institute of Accountants, New York Stock Exchange, investment analysts from member firms of the New York Stock Exchange, as well as Interstate Commerce Commission officials.

As a result of its investigation, the committee recommended that railroad reports to stockholders conform to generally accepted accounting principles and, particularly, that savings resulting from tax amortization be incorporated in the body of such reports—not tucked

The subcommittee commended the Interstate Commerce Commission for instituting rulemaking procedures concerning replacement accounting for rail and track structure; rejected a suggestion to transfer jurisdiction over railroad securities from the Interstate Commerce Commission to the Securities and Exchange Commission; recommended that the Civil Service Commission take early action to reappraise the salary structure for critically needed Interstate Commerce Commission accountants; recommended that the District of Columbia Committee inquire into the failure of the District of Columbia to accord credit to Government experience for accountants' certificates.

Subsequent to the commencement of the subcommittee's hearings, the Interstate Commerce Commission commenced rulemaking procedures on correction of six accounting variances. Rulemaking procedures were also instituted to determine whether replacement or depreciation accounting is more appropriate for track structure.

2. *False and Misleading Advertising* (*Filter-Tip Cigarettes*). House Report 1372, February 20, 1958 (20th report of committee, 85th Cong.).

As a result of the health hazards attributed to cigarette smoking since 1952, filter-tip cigarettes have received wide advertising promotion. This has resulted in increased sales of filter tips so that, at present, filter cigarette sales are estimated to account for over 50 percent of total cigarette sales, as against 1.4 percent in 1952. About $250 million are spent each year to make, advertise, and pay for just the filter tips on the cigarettes.

With few exceptions, tests revealed that filter cigarettes contained as much or more tar and nicotine as "regular" cigarettes despite the "protection" theme, express or implied, in the advertising of "filters."

The committee found that the Federal Trade Commission had failed in its statutory duties by not halting deceptive filter-tip advertising and, as a result, that the public had assumed, without basis, that a filter provided protection against the alleged health hazards.

3. *False and Misleading Advertising* (*Weight Reducing Remedies*). House Report 2553, August 12, 1958 (33d report of committee, 85th Cong.).

This report is concerned mainly with advertising of alleged weight-reducing drug preparations which claims "no-diet reducing," although the packaged literature enjoins the user to diet. A 1946 adverse court decision involving the use of caramel candies as an appetite depressant,

and lack of funds and personnel, were Federal Trade Commission excuses for its inactivity. Notwithstanding the 1946 decision, the subcommittee found that, since 1955 alone, the Post Office Department had successfully proceeded against over 40 of these products.

Again the committee concluded that the Federal Trade Commission had failed to discharge its statutory enforcement responsibilities, and estimated that consumers were "being bilked" out of an estimated $100 million annually. The committee further found an indifferent attitude by the Commission exemplified by the statement at the hearings by a Federal Trade Commissioner that "it takes a person who is really gullible to believe many of these ads."

The report was also critical of the time taken by the Federal Trade Commission to proceed against falsely advertised products generally—an average of 2 years for the total Federal Trade Commission enforcement process, and urged expedition in Federal Trade Commission administrative proceedings. Further, the committee suggested a number of areas for legislative change for consideration by appropriate legislative committees.

4. *False and Misleading Advertising* (*Dentifrices*). House Report 2667, August 18, 1958 (38th report of committee, 85th Cong.).

The American Dental Association presented examples of alleged false and misleading advertising in dentifrice promotion. The last Federal Trade Commission enforcement action in this field was a cease-and-desist order in 1951. The Federal Trade Commission, under subcommittee questioning, said that it would consult with the American Dental Association and attempt correction of dentifrice advertising abuses. Lack of funds and personnel were cited as reasons for Federal Trade Commission inactivity in this field.

Without passing on the specific advertising presented, the committee found that the Federal Trade Commission was not discharging its statutory enforcement responsibilities. It recommended that the Commission require scientific proof of advertised dentifrice claims as it is now doing with respect to cigarette claims. It further recommended that the Commission institute fair-practice conference procedures to effect codes of fair advertising for dentifrices. The committee also recommended consideration by appropriate legislative committees to determine whether legislative changes are required in this field.

Additional views were filed.

5. *False and Misleading Advertising* (*Prescription Tranquilizing Drugs*). House Report 2668, August 18, 1958 (39th report of committee, 85th Cong.).

This report related to the advertising of prescription tranquilizing drugs directed only to the medical profession. Instances of deceptive advertising in professional journals and in direct-mail advertising to doctors were cited.

Since the hearings disclosed that the Federal Trade Commission had never proceeded against any type of professional medical advertising, the committee again concluded that the Federal Trade Commission had not discharged its statutory responsibilities. Recently the ethical drug industry issued a code of advertising standards. The committee recommended that the Federal Trade Commission institute trade con-

ference procedures to effect a code of fair advertising practices for ethical drug promotion.

One of the difficulties in this field is the apparent conflict within the Federal Trade Commission itself as to Federal Trade Commission authority with respect to professional medical advertising.

Consideration of legislative changes by the appropriate legislative committee is also suggested in this report.

Additional views were filed.

6. *Federal Role in Aviation (1958)*. House Report 2679, August 20, 1958 (40th report of committee, 85th Cong.).

This report was a followup to the 1956 report of the committee entitled "Federal Role in Aviation." In the current report matters of air safety and Government preparations for the acceptance of commercial jet aircraft are discussed.

The committee found that various matters involving air safety, particularly separation of civilian and military aircraft and cockpit visibility standards, had not been resolved—that airport operators were not being kept sufficiently apprised of airport commercial jet requirements, and that personnel matters affecting controllers had not been resolved since the 1956 hearings.

Additional views were filed.

7. *Internal Revenue Service (Levies on Unemployment Compensation Benefits and Denial of Travel and Away-From-Home Expenses to Construction Workers)*. House Report 2680, August 20, 1958 (41st report of committee, 85th Cong.).

The report enumerates instances of inefficiency in the operations of the Internal Revenue Service with respect to levies on unemployment-compensation benefits and disallowance of away-from-home expenses.

The committee found that the legality of levies had been challenged by the States; that some States had not honored these levies; that the Internal Revenue Service had done nothing to resolve the legal issues involved and had no explanation for the fact that half of the levies had occurred within the area served by 1 of the 9 regional offices of the Service. A provision to exempt these benefits from levy is contained in legislation (H. R. 13549) recently enacted.

With respect to disallowance of "away-from-home" expenses it was found that a letter-ruling sent to the subcommittee over 2 years ago (May 4, 1956) on this matter had not been disseminated to its field offices. This resulted in varying interpretations by the majority of IRS district offices. Nor had the service issued, as it had promised in said ruling, a "comprehensive" ruling on this subject.

After the hearings, the Commissioner of Internal Revenue notified the chairman that the 2-year-old letter-ruling was now being disseminated with instructions for its adherence by district offices.

Minority views were filed.

(G) *General Government Activities Subcommittee*

This subcommittee presented no formal investigative reports. It should be noted, however, that of the 40 bills reported by the Government Operations Committee in the 85th Congress, 19 emanated from the General Government Activities Subcommittee. In addition to many other activities, as later discussion will show, this subcommittee performed an invaluable function in reviewing proposed negotiated

sales of surplus real property, resulting in direct savings to the Government of approximately $2 million and indirect savings of very much more.

(H) *Special Donable Property Subcommittee*

This small group presented no formal investigative reports. It did, however, monitor a tremendous and growing program of donating surplus property for certain public purposes. In addition, work done by this subcommittee in connection with the SAGE communication contracts has led to savings amounting to $11 million a year for a 10-year period. Both these items are discussed later in this report.

(I) *Special Government Information Subcommittee*

1. *Availability of Information from Federal Departments and Agencies* (*Progress of Study, July–December 1956*). House Report 157, February 22, 1957 (2d report of committee, 85th Cong.).

This report covers the activities of the Special Government Information Subcommittee in the period of July–December 1956 and summarizes the action and inaction of the various Federal agencies during the period with respect to improving information practices.

2. *Availability of Information from Federal Departments and Agencies* (*Scientific Information and National Defense*). House Report 1619, April 22, 1958 (23d report of committee, 85th Cong.).

This report resulted from the subcommittee's study of the availability of scientific and technological information, particularly from the Defense and Commerce Departments. The study was based on the directive, in the charter letter from Congressman William L. Dawson, to investigate charges that "pertinent and timely information" was being denied to "trained and qualified research experts." The report covered 29 categories of restrictions on such scientific information, concluding that excessive restrictions were stifling the national effort to improve its technological position. The report recommended the abolition of the multiple-clearance system for access by scientists to information, the removal of the "need to know" criterion and an end to the classification of information involving only the basic laws of nature.

3. *Availability of Information from Federal Departments and Agencies* (*Department of Defense*). House Report 1884, June 16, 1958 (27th report of committee, 85th Cong.).

This report resulted from the subcommittee's continuing study of the information practices and policies of the Department of Defense. It covered all information restrictions imposed by the Department exclusive of restrictions on scientific information covered in House Report 1619.

The report covered 14 areas of restrictive action by the Defense Department, each broken down into numerous categories of specific restrictions on information. The report arrived at nine seperate conclusions on the information operations of the Department of Defense and recommended specific action by the President, the Secretary of Defense and the Congress to remove unjustifiable restrictions.

A minority report was filed.

4. *Availability of Information from Federal Departments and Agencies* (*Progress of Study, February 1957–July 1958*). House Report 2578, August 13, 1958, (35th report of committee, 85th Cong.).

This report covered the investigative work of the Special Subcommittee on Government Information exclusive of the scientific information and Defense Department areas. It presented details on 40 specific cases or general areas of restrictions on information from the Federal executive and independent agencies. The report points out that unjustifiable restrictions were removed in 27 cases, there was a partial improvement in the availability of information in 4 cases, and restrictions still were imposed in 9 cases. The report arrived at conclusions, based on the detailed cases, in 7 categories covering restrictions of information involving more than 20 Federal departments and agencies.

Additional views were filed.

DOCUMENTS PUBLISHED AS COMMITTEE PRINTS

In addition to the formal committee reports made to the House of Representatives, the committee also publishes certain documents of a background nature for committee use and as a matter of general information. The titles of these are self-explanatory. The committee prints published in the 85th Congress are as follows:

Title	Date issued
Questionnaire on Administrative Organization for Public Information Activities	February 1957.
Economic Appraisal of the Sugar Operations of the Virgin Islands Corporation	April 1957.
Reorganization by Plan and by Statute, 1946–56	May 1957.
The Budget Process in the Federal Government	June 1957.
Actions taken by Departments and Agencies on the Lending Agencies Recommendations of the Hoover Commission.	July 1957.
Legislation Introduced and Action Taken by the 84th Cong. and 1st sess. of the 85th Cong. on Recommendations of the Commission on Organization of the Executive Branch of the Government (2d Hoover Commission reports).	December 1957.
Federal Real and Personal Property Inventory Report (Civilian and Military) of the U. S. Government covering Its Properties Located In Continental United States, in the Territories, and Overseas as of June 30, 1957.	Do.
Survey and Study of Administrative Organization, Procedure, and Practice in the Federal Agencies by the Committee on Government Operations—Agency Response to Questionnaire:	
Part 1—Department of Agriculture	Do.
Part 2—Department of Commerce	Do.
Part 3—Department of Defense	Do.
Part 4—Department of Health, Education, and Welfare	Do.
Part 5—Department of the Interior	Do.
Part 6—Department of Justice	Do.
Part 7—Department of Labor	Do.
Part 8—Post Office Department	Do.
Part 9—Department of State	Do.
Part 10—Department of the Treasury	Do.
Part 11A—Independent agencies	Do.
(Atomic Energy Commission)	
(Civil Aeronautics Board)	
(Civil Service Commission)	
(Export-Import Bank of Washington)	
(Federal Civil Defense Administration)	
(Federal Communications Commission)	
Part 11B—Independent Agencies	Do.
(Federal Home Loan Bank Board)	
(Federal Deposit Insurance Corporation)	
(Federal Mediation and Counciliation Service)	
(Federal Power Commission)	
(Federal Reserve System)	
(Federal Trade Commission)	
(Foreign Claims Settlement Commission of the United States)	
(General Accounting Office)	
(General Services Administration)	

Title	Date issued
Survey and Study of Administrative Organization, etc.—Continued	
Part 11C—Independent Agencies	December 1957.
(Housing and Home Finance Agency)	
(Indian Claims Commission)	
(Interstate Commerce Commission)	
(National Advisory Committee for Aeronautics)	
(National Labor Relations Board)	
(National Mediation Board)	
Part 11D—Independent Agencies	Do.
(Railroad Retirement Board)	
(The Renegotiation Board)	
(Securities and Exchange Commission)	
(Selective Service System)	
(Small Business Administration)	
(Subversive Activities Control Board)	
(Tennessee Valley Authority)	
(U. S. Information Agency)	
(U. S. Tariff Commission)	
(Veterans' Administration)	
Executive Orders and Proclamations: A Study of a Use of Presidential Powers	Do.
Inquiries on the Employment Act of 1946	May 1958.
reedom of Information Legislation During the 85th Congress	October 1958.
Federal Real and Personal Property Inventory Report (Civilian and Military) of the U. S. Government Covering Its Properties Located in Continental United States, in the Territories and Overseas, as of June 30, 1958.	December 1958.

THE FEDERAL REAL AND PERSONAL PROPERTY INVENTORY REPORT

Listed among the committee prints is a document which represents a continuing study of great value conducted by the committee. This is the Federal Real and Personal Property Inventory Report (Civilian and Military) of the U. S. Government, Covering Its Properties Located in Continental United States, in the Territories and Overseas as of June 30, 1957.

The committee inaugurated its Federal real and personal property inventory report in 1955 under the direction of the chairman. It is brought up to date and reissued annually. Every effort is made to assure its accuracy and reliability. It is certainly one of the most widely used documents published by the committee and provides the only authoritative compilation of statistics relating to Federal property generally.

The committee is currently working on improving the report by getting up-to-date valuations for the Federal properties listed. It has, as yet, been unable in this endeavor to secure the full cooperation of the agencies affected.

SIGNIFICANT COMMITTEE ACTIONS NOT RESULTING IN FORMAL REPORTS OR COMMITTEE PRINTS

A considerable amount of the committee's work results in solid accomplishments which do not find their way into the formal reports made to the House of Representatives or into committee prints. Perhaps the most significant of these efforts are (1) the systematic review of the reports of the Comptroller General to the Congress, and (2) the followup on recommendations made in committee reports. Both of these activities are discussed under separate headings elsewhere in this report. There were also a number of other individual efforts of interest and significance which are worthy of mention. These are discussed below. It should be noted that the list is not exhaustive, but merely sets out some of the highlights of this type of committee action.

(A) *Surplus property*

1. *Disposal of Government-owned nickel plant.*

In January of 1958, the General Accounting Activities Subcommittee undertook an investigation of operational and disposal problems in regard to the Government's nickel plant at Nicaro, Cuba. This investigation resulted in public hearings on April 23 and 24, and further investigation thereafter. It is anticipated that a report on this investigation, with appropriate findings and recommendations, will be prepared for presentation early in the next session.

2. *Disposal of telephone systems; legality questioned.*

A study was continued this year of the proposed disposal to telephone companies of more than 100 telephone distribution systems by the Department of Defense, using as its authority excess and surplus property provisions of the Federal Property and Administrative Services Act of 1949, as amended. This proposed action by the Defense Department was in furtherance of a directive dated November 24, 1953, which, among other things, stated, "It is the policy of the Department of Defense not to engage in the operation of industrial or commercial type facilities unless it can be demonstrated that it is necessary for the Government itself to perform the required work or services."

The committee, through its General Government Activities Subcommittee has engaged in a rather intensive study as to both the economic and legal aspects of the proposed disposals. The General Accounting Office, at the subcommittee's request, made a cursory comparative cost analysis between a Government-owned system and a leased system at the Newport Naval Base. Also, the General Accounting Office, upon request, furnished an opinion as to the legality of an agency declaring property vital to its operations as excess to its needs, then the GSA declaring such property as surplus whereupon such property is sold to a private entity which leases back the identical so-called surplus property to the Government agency which during the process has had an uninterrupted use of it. The General Accounting Office opinion expressed serious doubts as to whether authority to dispose of property by such procedure was conferred by the Federal Property and Administrative Service Act of 1949, as amended.

In regard to the proposed sale of military telephone distribution systems, the subcommittee on July 21, 1958, wrote the following to Rear Adm. E. J. Peltier, of the Navy Department:

> It is the opinion of this subcommittee that it was not the intent of Congress that the Federal Property and Administrative Services Act of 1949, as amended, be used as legal authority to further the announced policy of the Department of Defense insofar as telephone distribution systems at defense installations are concerned. Therefore, it is recommended that not only the proposed sale of the telephone system at Newport not be consummated, but also such proposed sales at other military bases.
>
> It is further recommended that if the Department of Defense feels that it is desirable that certain communication services be furnished by private corporations, that specific legal authority be requested of Congress to fulfill such policy. It should be kept in mind that many communication systems proposed to be sold were financed by appropriations of Congress at the request of the military departments. If it is now deemed advisable that such communication systems be privately owned, then it would seem appropriate that congressional approval be obtained.

The subcommittee has also advised the Administrator of General Services of its position regarding the proposed sale of military telephone systems. It is expected that the GSA will in the future decline to declare any such system as surplus where continued use is contemplated, unless, of course, express legislative authority is obtained.

3. *Disposal of abandoned airport project property in Virginia.*

Recently the committee, through its General Government Activities Subcommittee, made an investigation of the proposed disposition of approximately 1,000 acres of land (and the improvements thereon) in Fairfax County, Va., which had been declared surplus after abandonment of the Burke Airport project. This property was acquired 7 years ago at a cost of a little over $1 million. The subcommittee became apprised of the introduction of H. R. 10045 which would have authorized the reconveyance of the Burke Airport property to the former owners thereof for the same price paid by the Government 7 years ago. This bill directed the Secretary of Commerce to make the reconveyance, so, therefore, it was referred to the Interstate and Foreign Commerce Committee.

The subcommittee was interested in the disposition of H. R. 10045, since it had tabled many similar bills in the past, thereby preventing the potential loss of millions of dollars in windfalls. The subcommittee, with approval of the full committee, has taken the position that former owners, as well as anyone else, should pay the full fair market value as does the Government when acquiring properties. The Government owns billions of dollars worth of properties which were "formerly owned." Where the value of property has enhanced, of course, the former owner would be delighted to reacquire it at the same price paid him; where property has decreased in value no known instance exists of a former owner insisting on paying the price paid him.

Before H. R. 10045 was debated on the floor of the House, a study was made to determine an approximate fair market value of the Burke property, the purpose of which was to learn the enhancement, if any, in value of the property since its acquisition 7 years ago. Indications from this study were that the property was worth 50 percent more today than when acquired by the Government. (Recent appraisal reports by the GSA show a 50-percent increase in value, thus supporting the estimate.) Therefore, if the Government had sold the Burke property to the former owners in accordance with H. R. 10045, as presented to the House, the taxpayers would have been shortchanged by more than $500,000; also the floodgate would now be open for countless similar windfalls. The chairman of the subcommittee, with the active support of its majority members and its minority members, as well as the chairman of the full committee and its minority leader, successfully led a debate on the floor to defeat the windfall provisions of the bill. The chairman's amendment was adopted which requires any and all sales of various parcels to former owners of the Burke property be made at the current fair-market value.

Therefore, the subcommittee's alertness avoided a possible $500,000 windfall and a multimillion dollar giveaway precedent, as well as preserving the committee's policy of requiring the full, fair-market value in sales of Government-owned property. This action reflected the unanimity of full committee opinion and its determination to stand forthrightly together on this policy.

4. *Disposal of shipyard at Newport News, Va.*

On May 2, 1958, the Department of the Navy forwarded to the committee, as required by law, an explanatory statement setting forth terms of, and reasons for a proposed negotiated sale of the Government's shipyard at Newport News, Va., to the Newport News Shipbuilding & Drydock Co. This shipyard has an acquisition cost of about $20 million and the proposed sales price with the national security clause was $3,510,000. Since the proposed disposal involved such a valuable property, the General Government Activities Subcommittee to which this matter was referred by the chairman of the committee, made a careful study of the appraisal report (the basis for setting the price), made a personal inspection of the shipyard, examined pertinent records and interviewed several persons.

After making this study the subcommittee concluded that the appraised value and proposed price were less than the shipyard's true fair market value. The appraised value of the land seemed substantially low, certain equipment currently being utilized was not given value in the appraisal and there seemed no adequate justification for the amount of the reduction in value due to the national security clause. Therefore, the subcommittee recommended that the proposed sale for $3,510,000 not be consummated. The subcommittee further recommended to the Administrator of General Services that:

(*a*) That the delegation of authority for the negotiated disposal be withdrawn.

(*b*) That a new appraisal be made of the facilities and that the General Services Administration conduct any further negotiations with the proposed purchaser.

(*c*) That a fair rental value be established on the basis of total worth of the facilities prior to consideration of the effect of the national security clause. There is the possibility that the presence of the national security clause during a short-term lease might enhance the value to the renter. Such fair rental value should be used as a guide in redetermining the appropriate rental when the current lease term expires, should the property not be sold at that time.

The General Services Administration has already withdrawn its delegation of authority to the Defense Department. If and when the shipyard is sold it is believed a substantially greater sum will and should be received by the Government.

5. *Disposal of land in Harris County, Tex.*

In June of this year the committee, through its General Government Activities Subcommittee objected to a proposed sale of certain surplus land in Harris County, Tex.

The proposed sales price was $64,811, which was based upon an appraisal made in October 1956. A subcommittee study revealed that unimproved realty in Harris County has since 1952 enhanced in value an average of 10 percent per year. There were strong indications that this surplus realty was worth $72,000 or more. Therefore, the subcommittee recommended that a current, supplemental appraisal be made of the property prior to its disposal; the GSA followed this recommendation. The new appraisal, received September 2, 1958, sets the value at $99,000, an increase of $34,139 over the originally proposed price.

6. *Utilization of excess property.*

The committee, through its Military Operations Subcommittee, examined military surplus disposal actions, investigating more closely those which indicate dissipation of valuable Government resources. Often it has been possible to prevent the disposal for a few cents on the dollar of valuable property which can be effectively used by other Government agencies or which can yield greater returns for specific commercial purposes.

In several cases the subcommittee was instrumental in calling attention of the Federal Civil Defense Administration to military surplus items needed for civil-defense purposes which would otherwise be sold for a small fraction of acquisition cost. Use of such surplus property for civil-defense purposes was authorized by Public Law 655 of the 84th Congress. The subcommittee also was instrumental in getting the Department of Defense to change its demilitarization policy which required the scrapping of military goods even though they have considerable commercial utility. Many thousands of dollars are being saved the Government by disposal of usable aircraft to commercial outlets.

An earlier example of savings effected is the action taken by the subcommittee to prevent the disposal in Japan of metal fence posts originally costing $2,482,000. These fence posts were later used by the Corps of Engineers, and consequently the cost of new procurement was avoided.

In another case, the subcommittee was instrumental in effecting a change in the demilitarization policy of the Department of Defense by which surplus aircraft, instead of being sold for scrap, are now sold to commercial users. In one specific case called to the attention of the Navy by the subcommittee staff, the sale of surplus aircraft for commercial use resulted in an additional return to the Government of $119,000. Future sales will increase the total return by millions of dollars.

In another instance, the committee, acting through its Special Subcommittee on Donable Property, was instrumental in having 87 TBM airplanes made available as commercial flyable planes rather than being sold as scrap. This resulted in a savings to the Government of $185,000.

In addition 10 TBM planes were transferred to the United States Forest Service for fire-protection purposes and the military regulations dealing with the demilitarization were amended to make additional property available for sale for its original utility rather than for scrap purposes.

7. *Donations of surplus property.*

The committee, through its Special Subcommittee on Donable Property, has continuously investigated various aspects of the donable surplus property program. Constant contact has been kept with the executive agencies responsible for the operation of the program, namely, Department of Health, Education, and Welfare; General Services Administration; Department of Defense; and, at times, the Bureau of the Budget and others. Contact has also been maintained with the General Accounting Office with respect to certain legal aspects of the program and with the National Association of State

Agencies for Surplus Property and with individual State agencies in the conduct of the program. States visited during the period were Oklahoma, Colorado, Idaho, Washington, Ohio, and Kansas. During these contacts the problems confronting the program are carefully analyzed and meetings then held with the responsible agencies to obtain practical solutions. As a result of subcommittee action and the increased volume of surplus property the donable program has made a surprising growth.

At the time the subcommittee was set up in January 1955, the donable surplus property program whereby surplus property is made available to educational and health agencies had been threatened with extinction. This was caused by the Department of Defense placing property in stock funds and refusing to transfer it despite the law. The surplus property available was deteriorating in value month by month and many of the State agencies were about ready to close shop.

After the hearings on the McCormack bill, H. R. 3322, and the passage of Public Law 61, June 3, 1955, the volume and quality of property has steadily improved. Public Law 655, 84th Congress, also extended the benefits of the program for civil defense purposes. Allocations of property have been as follows:

Fiscal year	Personal	Real	Total
1954	$107,042,941	$10,750,698	$117,793,639
1955	132,174,248	16,088,495	148,262,743
1956	204,497,417	14,375,151	218,872,568
1957	234,862,274	7,303,250	242,165,524
1958	302,458,448	9,478,715	311,937,163
1959 (estimated total)	----------	----------	400,000,000

It is correct to say that the constant efforts of the special subcommittee have contributed immeasurably to the growth of the program which is of inestimable value to the educational and health programs of the country at a time of greatest need.

There are several Federal agencies engaged in the program, namely, the Department of Health, Education, and Welfare, General Services Administration, Department of Defense, and the Bureau of the Budget, as well as State and Territorial agencies.

Numerous problems arise among so many agencies in a program of this magnitude and subcommittee staff are in constant touch with key personnel to insure that matters are kept running as smoothly as possible.

It is fair to say that the property transferred under the donable program is worth millions and millions of dollars for the purposes transferred but would only return a few cents on the dollar if sold at public sale.

The committee was also successful in having the Department of Defense issue instructions pursuant to section 402 of the Federal Property and Administrative Services Act of 1949 making foreign excess personal property available for donations to specified agencies. In many instances executive agencies operating in foreign countries have excess property which has no commercial value or the estimated cost of care and handling of which would exceed estimated proceeds from its sale. Such property will be eligible for donation to meritorious organizations.

(B) *Civil defense expenditures*

Substantial savings in civil defense expenditures resulted from an investigation of contracts let for survival planning studies. The subcommittee's findings of overlapping and duplicating contracts resulted in revisions and cutbacks which may effect savings of up to $500,000.

Sharp reductions in FCDA annual appropriations have reflected the committee's finding that Federal expenditures for civil defense were largely ineffective. These reductions also indicate an increased congressional awareness of the need for critical scrutiny of FCDA budget requests, rather than a routine acceptance of executive budget estimates.

The committee is convinced that wasteful expenditures for civil defense have been avoided and that future budget requests for this purpose may be based on more realistic civil-defense planning.

(C) *Agricultural matters*

1. *Cheese and butter transactions.*—As a direct result of the committee's investigation, through the Intergovernmental Relations Subcommittee, of cheese and butter purchase resale transactions of the Department of Agriculture, a Federal court in Baltimore, Md., on July 3, 1957, ordered 3 companies to repay more than $252,000 to the taxpayers.

On June 20 and August 5, a Federal court in Wisconsin ordered 8 food companies to repay $1,062,087 obtained from CCC in 1954 purchase-resale transactions, plus about $110,000 in interest. In July, another Federal court in Minnesota ordered repayment of about $30,000 and on June 12 the Fourth Circuit Court of Appeals upheld a 1957 decision by a Federal court in Baltimore ordering repayment of $252,000. Thus a total of $1,454,087 has been recovered by the Government as a direct result of the committee's investigation. The Justice Department has expressed appreciation for the subcommittee's assistance "in supplying documents and information which were of material help" in the lawsuits.

The court cases were brought after the Comptroller General, at the request of the subcommittee and on the basis of its investigation, ruled that the 1954 purchase and simultaneous resale of 85 million pounds of cheese and 5 million pounds of butter was unauthorized and improper. The cheese and butter involved was never moved from the warehouses in which it was stored, but the Department of Agriculture paid the owners the difference between the purchase and resale prices.

2. *Wheat storage.*

In July 1957 the Intergovernmental Relations Subcommittee held public hearings concerning transactions involving storage of Government-owned wheat by the Burrus Mills Co., of Dallas, Tex. Beginning in 1954, this company stored 37 million bushels of wheat in huge plastic tents at St. Joseph, Mo., and Fort Worth, Tex. As a result of spoilage on a large percentage of this wheat, millions of dollars in claims by the Department of Agriculture's Commodity Credit Corporation are being made against the Burrus Co.

CCC recently reached a settlement with the Burrus Mills Co. concerning claims relating to storage of wheat in tents.

3. *Drainage of wetlands.*

In August 1953, the Intergovernmental Relations Subcommittee held a public hearing concerning drainage activities of the Department of Agriculture in the pothole or wetland areas of North and South Dakota and Minnesota in order to determine whether these activities, as presently carried on, conflict with or are inconsistent with other Federal activities relating to reduction of surpluses in agricultural commodities or wildlife conservation. Testimony was received from witnesses from the Department of Agriculture, the Fish and Wildlife Service of the Department of Interior, and from the director of the Department of Game, Fish, and Parks of the State of South Dakota and the former fish and game commissioner of North Dakota.

At the close of its hearing, the subcommittee requested the Departments of Agriculture and Interior to meet with each other to try to reconcile their conflicting policies concerning drainage of wetland areas. In June 1958, the Bureau of the Budget advised of actions taken and stated that the two departments "have both expressed to this Bureau their willingness and their intention to continue to consult with each other on problems of mutual concern. These assurances, together with departmental actions previously described, should provide an adequate solution to the problems raised by your subcommittee. * * * Your committee's interest in this matter is greatly appreciated."

4. *Rural telephone cooperative loans.*

The Public Works and Resources Subcommittee inquired of the Rural Electrification Administration for an explanation as to why equity requirements for telephone loans had been liberalized for commercial borrowers without a corresponding liberalization for rural telephone cooperatives. A subsequent announcement by REA indicates that this discrimination has now been removed.

(D) *Transportation of household effects*

Because of the committee's interest evidenced through the Intergovernmental Relations Subcommittee, the Bureau of the Budget, the Defense Department and the General Accounting Office have been trying to determine whether worthwhile savings could be obtained by contracting for movement of household effects on a mass basis rather than by individual contracts. The committee has been informally advised that in one instance where it was tried this procedure appears to have resulted in about a 50 percent saving in tariff rates. A full report on this subject is expected from the Budget Bureau in the near future.

(E) *Bonneville Power Administration claim for defective conductor*

In response to a request by the Public Works and Resources Subcommittee, the Comptroller General of the United States investigated allegations that the Aluminum Company of America had furnished defective high-voltage Chukar conductor to the Bonneville Power Administration. Thereafter, a supplemental agreement dated February 6, 1957, was entered into under which the Bonneville Power Administration received a consideration of approximately $330,000 for waiving its claims against the company.

(F) *Proposed repayment contract with Kings River Conservation District, California*

The Public Works and Resources Subcommittee continued its study of developments in the Department of the Interior surrounding a proposed repayment contract between the Bureau of Reclamation and the Kings River Conservation District in California. Under the proposed contract it was sought to permit the district, and also any corporation or individual to pay out in not more than 10 years—instead of the normal 40 years—and thereby escape the restrictions of the provisions of law which limit land eligible for project water to a maximum of 160 acres for any 1 landowner. Investigation had revealed that such a proposed contract had been negotiated in the field with approval of former Secretary of the Interior Douglas McKay and Assistant Secretary Aandahl. After the committee and the subcommittee communicated their interest in the subject to the Department, final approval of the proposed contract in Washington was held up by the Secretary of the Interior for some 19 months. On July 12, 1957, Secretary of the Interior Fred Seaton announced that he had determined not to approve the proposed contract in its present form because to permit individuals or corporations to escape the 160-acre limitation provisions by prepayment would be contrary to reclamation law.

(G) *International operations*

1. *Philippine plywood industry.*

A preliminary study has been made which indicates that the International Cooperation Administration may have financed the expansion of the Philippine plywood industry greatly in excess of economic justifications. It appears that production has been increased 300 percent and that only 40 percent of the total production can be consumed domestically. The availability of adequate export markets was not determined by the International Cooperation Administration prior to the decision to expand the industry and it is doubtful whether such a market can be found. Since the breakeven point for the industry is approximately 85 percent, it is quite possible that manufacturers will soon experience severe financial difficulties which may result in the dumping of excessive inventories in the United States, possibly to the detriment of our domestic production. No report has been issued, since the expansion program is just reaching its completion stage and further study is required before making a final evaluation.

2. *Day-to-day problems of Federal agencies overseas.*

The committee released a volume of testimony taken by its International Operations Subcommittee in several countries during its field trip in November 1957 in connection with a study of contractual operations. In addition to contract operations, the transcript bears on a variety of overseas operating problems of the Department of State, the Department of Defense, and the United States Information Agency, as well as the International Cooperation Administration. The testimony was based on field submissions to the subcommittee's questionnaires, and provided the subcommittee with a perspective at operating levels that was not available in Washington. In this fashion, the subcommittee was able to examine reoccurring problems on which most overseas operating deficiencies are based, such as difficulties meeting staffing complements; living conditions abroad; paucity of

end-use investigations; import programs; and barriers to adequate program planning.

3. *Official rate of exchange in southeast Asia.*

The International Operations Subcommittee has given attention to the rate of exchange which has been set for the southeast Asian countries at 35 to 1. On the free market the rate is close to 100 to 1. Since all of our official transactions with these countries are at the official rate the effect is to treble the cost of our aid in that area. While this situation, and the responsibility therefor, is a matter of subcommittee concern, we are also disturbed by the apparent adverse effect which the difference in exchange rate has on the economy and moral tone of the host country, thus to an extent defeating the purpose of the Mutual Security Act.

Although the study has considered the problem generally in Cambodia, Vietnam, and Laos, no report has been issued on the subject, since it is felt that this matter can best be presented in conjunction with the report to be issued on the country study of Laos.

(H) *Nickel-cobalt operations*

1. *Nickel-cobalt purchase contract.*

The General Government Activities Subcommittee has conducted an investigation based upon a critical audit report by the General Accounting Office on a quarter-billion dollar nickel-cobalt purchase contract with the Freeport Sulphur Co. in connection with its plant to be constructed near Moa Bay, Cuba. The alleged purpose of entering into this purchase contract, as well as giving an 80 percent accelerated amortization, was to provide adequate incentive for a private firm to construct a nickel-extraction facility with an annual production capacity of 50 million pounds. The GAO audit report pointed out that the Government received but refused what appeared to be a much more attractive offer from the Bethlehem Steel Corp. The Bethlehem offer was ruled out by the Office of Defense Mobilization as it refused to authorize a loan or a guaranteed loan as incentives even though the potential impact on the United States Treasury would have been less than one-half as much as the purchase contract which was accepted.

Various records relating to the purchase contract and the rejected Bethlehem offer have been examined, and several persons interviewed, including the Secretary of Health, Education, and Welfare, Dr. Arthur S. Flemming, who was director of ODM when the purchase contract was entered into. The subcommittee staff is awaiting security clearances necessary to examine certain records of the ODM.

2. *Nickeliferous ore processing plant.*

A related phase of the above investigation pertains to a Government expenditure of $6.5 million for the construction and operation of a pilot plant in Braithwaite, La., which was constructed for the use of the Freeport Sulphur Co. on Freeport land. The purpose of the pilot plant was to test Freeport's sulfuric acid processes on its nickeliferrous ore in Cuba. After the processes were satisfactorily tested, the Government allowed Freeport to use the plant rent free for an additional period of 18 months. Recently Freeport gave the Government 6 months to remove its improvement from Freeport's land. It appears Freeport will be able to buy the improvements for a nominal sum.

A formal report on the investigation of the above matters is contemplated and public hearings if warranted.

(I) *Illegality of SAGE contracts*

Shortly before adjournment in 1955, the committee, through its Special Donable Property Subcommittee, made a study of SAGE and particularly as to the "legal authority to enter into long-term (10-year) contracts for utility services.

The SAGE system is the communication heart of the Air Force air detection and retaliatory system and was conceived in 1953 to give early warning of approaching planes and to dispatch necessary forces to destroy those proved to be hostile.

The United States was divided into 32 subsectors and 8 sectors which included many installations all of which require communication hookups. The whole system is thus a gigantic network of intercommunications requiring something in the order of 25,000 to 28,000 circuits.

The engineering work for the SAGE program was furnished by the Western Electric Corp., a subsidiary of the A. T. & T. Co. which in turn serves most of the telephone services through its subsidiaries. Western Electric acts as an engineer corps for the Air Force under a negotiated contract.

A staff study of the available hearings, reports and other material showed that:

1. For 10-year utility contracts the Air Force used the authority in the Federal Property and Administrative Services Act (Public Law 152, 81st Cong., sec. 201 (a)) which provides that: "The Administrator shall, * * *

"(3) Procure and supply personal property and nonpersonal services for the use of executive agencies in the proper discharge of their responsibilities, and perform functions related to procurement and supply such as those mentioned above in subparagraph (1): *Provided*, That contracts for public utility services may be made for periods not exceeding ten years;" * * *

The authority of the Administrator under this section may be delegated to other agencies under other provisions of the act and two specific delegations for relative minor projects were made to the Air Force prior to SAGE.

The legislative history of the "proviso" in section 201 (a) (3) is clear that it was intended for relative minor projects such as furnishing utility services to all agencies in one Federal building and *provided that economies would accrue to the Government* through long-term utility contracts.

It became apparent in studying SAGE that the relatively obscure proviso in the act was never intended to be used to enter into contracts for telephone service at an estimated cost of $240 million per annum for a 10-year period and that the telephone companies' investments would be virtually amortized in this period through the payment of the telephone rates.

It further developed that no special rates were to be given the Government and hence no "economies by entering into 10-year contracts."

It also developed that General Services was being bypassed in the authorized role of representing the Government before Federal and State regulatory agencies in securing fair and reasonable rates under section 201 (a) (4) which reads:

* * * with respect to transportation and other public utility services for the use of executive agencies, represent such agencies in negotiations with carriers and other public utilities and in proceedings involving carriers or other public utilities before Federal and State regulatory bodies;

A further development was that the Government was subject to contingent liability in case it decided to abandon SAGE or parts thereof. This contingent liability was indicated in the annual appropriation bill to be $222 million and hence could be repeated from year to year. There was also evidence at this time that SAGE was developed to detect aircraft and would be too slow for missiles which were in the offing. Certainly the Army had knowledge of missiles through its Redstone work. At any rate contingent liabilities were something to be considered in 1955.

Another interesting development was the fact that the telephone companies in more or less classified agreements with the Air Force were deliberately excluding cooperative telephone and power agencies from participating in the service contracts though their so-called service areas were involved.

On July 19, 1955, the General Accounting Office had been requested to make available an expected decision on the authority of the Air Force to make 10-year contracts under the Federal Property and Administrative Services Act. On August 15, 1955, the Comptroller General rendered a decision (No. B–124672) to the effect that the authority quoted for the 10-year contracts was inadequate.

On September 23, 1955, the A. T. & T. filed a package tariff with the FCC which would have meant a saving of $14 million per annum on SAGE. On September 29, 1955, Secretary of Defense Wilson submitted a letter to the Comptroller General asking for a reconsideration of his decision of August 15, 1955.

On October 21, 1955, the Comptroller General reaffirmed his previous decision and concluded that the Department of Defense should seek adequate authorization for the SAGE communications as soon as practicable.

Subsequently, as a result of the committee's interest and the participation of GSA in the proceedings, the Federal Communications Commission issued an order on June 25, 1958, in response to General Services Administration's petition for a rate reduction which will result in savings to the United States of $11 million per year, or $110 million for the 10-year period.

(J) *Availability of Government information*

1. *General statement.*

(*a*) The amount of factual information given the public about the billion-dollar missile-satellite program was increased as a result of the Special Government Information Subcommittee's investigation of information restrictions during attempts to launch the first United States satellite as part of the nonmilitary International Geophysical Year. The new information program set up by the Department of Defense and the Air Force, following the subcommittee's investigation, resulted in a more adequate flow of information about the Nation's first moon-missile attempt.

(*b*) The protection of true security information which, if divulged, would endanger the Nation's military protection was enhanced by the insistence of the Special Subcommittee on Government Information that the security system should not be used to hide administrative information about the Government's day-to-day operations. Since overclassification tends to weaken respect for the security system and to make its observance more difficult, the subcommittee's insistence that wrongly classified material be declassified tended to strengthen

the security system. Cases which exemplify this situation include the declassification of a personnel file and of a list of contractors showing intercorporate relationships, the rescinding of generalized warnings against dissemination of any military information, the removal of restrictions on a "classified" building which housed gifts to Government officials, and the declassification of information on administrative aircraft used to transport high Government officials.

(*c*) The flow of basic information necessary to the people, who are, in effect, the final governors in a democracy, was increased by the subcommittee's activities. Among the many cases in this category, are the revocation by two agencies of restrictions on administratively controlled information, the rescinding of censorship on newsreel and television productions, the removal of restrictions on information about Government leases, the disclosure of import and export information and the removal of information restrictions on foreign aid contracts.

(*d*) Scientific information, which must flow unhampered if the United States is to win the race for technological supremacy, is more readily available as a result of the subcommittee's work. The reinstatement of the science attaché program and the rescinding of restrictions on the export by scientists of nonclassified information are two of many cases in this area.

(*e*) The amount of information from the executive branch available to Congress was increased through the subcommittee's continuing efforts. Many individual Congressmen were assisted in gathering information and were able to develop techniques to overcome future refusals from executive agencies. Some agencies—particularly the Defense Department—revised regulations which had been used to restrict information to Congress. A specific revision in recent months was the change in regulations governing access to defense information by the General Accounting Office—the major fiscal investigating arm of Congress—for previous regulations had required GAO investigators to prove a need to know in order to discharge duties imposed on them by law and concerning matters which indubitably should have been disclosed to them in their capacity as agents of Congress. Serious problems still exist, however, with respect to the refusal of the executive agencies to obey a statutory requirement that they make information available to the Comptroller General.

(*f*) Through its continuing investigation of Defense Department information policies, the subcommittee assisted in the successful opposition to two phases of the proposed reorganization of the Department. Assistance to other House committees and comments by Congressman Moss during debate on the proposed reorganization measure helped defeat a section of the measure which would have restricted information for Congress. The defeated proposal would have prevented military and civilian heads of the military departments from presenting their full views on defense policies to the Congress. The subcommittee also assisted in delaying plans for a reorganization of Defense Department information activities. The planned reorganization would give control of all information from the Department and the military services to a politically appointed defense official.

(*g*) The subcommittee's investigation of restrictions on photographic access to the sites of airplanes crashes in civilian areas resulted in reminders by the military services and the Defense Department to all military personnel that they have no police jurisdiction over civil-

ians outside military bases. Although cases of illegal military interference with civilian activities at accident sites still occur, they are not as frequent, and action is taken in each case to prevent recurrences.

(*h*) The necessity for adequate Government information was recognized legislatively by the Congress, in addition to specific legislative action directly affecting the people's right to know. (See part II.) The inclusion of freedom-of-information language in legislation establishing new weather control and space agencies is in this category. Other legislation also carried out earlier recommendations of the subcommittee.

2. *Specific instances.*

The activities of the committee in the field of restrictions on information have resulted, directly or indirectly, in the revision of regulations and in many other actions bearing on information in the Departments of Defense, Agriculture, Justice, Treasury, Interior, Commerce and Health, Education and Welfare, as well as in the General Services Administration and other Federal agencies. A few significant examples are as follows:

(i) The Department of Agriculture revised a regulation which permitted censorship of television films, news releases, and similar information items prepared by private groups through cooperation with the Department. The objectionable features have been deleted from the new regulation.

(ii) The General Services Administration withdrew a proposed form which all resigning employees would have had to sign, stating they would never divulge administratively controlled information.

(iii) The Foreign Claims Settlement Commission also has stopped using a form prohibiting the dissemination of administratively controlled information.

(iv) The Defense Department reversed an earlier decision to exclude reporters from the launching of the first earth satellite.

(v) The Defense Department took action to declassify a roomful of World War II scientific documents at Harvard University's Widener Library.

(vi) The Department of Justice declassified portions of a report on trips by border-patrol inspectors to rifle and pistol matches, and made classified sections of the report available to the appropriate House Government Operations Subcommittee.

(vii) The General Services Administration revised an administrative order which restricted contacts by Congressmen, their staffs, and congressional committees' staffs with General Services Administration employees.

(viii) The Treasury Department issued Treasury Decision 5421, August 27, 1957, Federal Register, Document 57–7099, permitting the disclosure of statistical data on exports from United States ports which has been restricted since World War II.

(ix) The Department of Defense has undertaken a general revision of regulations affecting the flow of information from the Department, including a complete rewriting of the Department's regulations on classification of information and eliminating the requirement that all Defense Department information must make a constructive contribution to the primary mission of the Department.

(x) The Air Force declassified statistics about the number and use of administratives which ferry officials around the globe.

(xi) The Defense Department declassified the portion of a list of Army missile contractors and subcontractors showing intercorporate relationships.

(xii) The Social Security Administration clarified the availability of statistical information originally refused through a misinterpretation of Federal regulations.

(xiii) The Secretary of the Interior abolished the restrictive term "Confidential—Interior Secretarial" less than 3 weeks after it had been included in departmental administrative regulations.

(xiv) The State Department revived the science attaché program to increase the flow of scientific information some 2 years after the program had been allowed to lapse.

(xv) The International Cooperation Administration agreed to make public nonclassified foreign-aid contracts with private firms and to make public nonclassified reports on performance under the contracts.

(xvi) The Health, Education, and Welfare Department agreed to make available to Congress information about advisory councils of the Public Health Service.

(xvii) An Office of Security Review was established by the Air Force to expedite the handling of information and make certain that security information is not released.

(K) *Survey and study of administrative organization, procedure, and practice*

This study covered 31 so-called independent agencies as well as the numerous administrative functions in the 10 executive departments. A questionnaire to these agencies contained 93 questions subdivided under the general headings of Rulemaking, Adjudication, Separation of Functions, Inspection of Records, Workload and Staffing Patterns, Uniformity of Administrative Procedure, Rules for Admission to Practice and for Avoidance of Conflict of Interests, Exemptions from the Administrative Procedure Act, and Court Decisions Affecting Agency Functions.

The published replies to this questionnaire total over 2,000 pages. It is the first, and probably the only, such comprehensive study of the procedures and practices of administrative agencies since the great proliferation of such agencies which began in the 1930's.

The replies to the questionnaire are constantly being consulted by legal and other professional associations; are in demand by university libraries; and afford a mine of readily available material for consideration and use both by Congress and those with administrative responsibility in the 41 independent agencies and executive departments.

PART IV.—FOLLOWUP ON COMMITTEE ACTIVITIES

A. MONETARY BENEFITS

While some of the savings resulting from the committee's activities can be computed with a fair degree of accuracy, the greater part of the identifiable savings are those which flow from the elimination of wasteful practices or from the institution of prudent ones. These latter often are not susceptible of precise estimates, but clearly amount to many millions of dollars.

There follows a discussion of actual and potential savings which the committee believes are properly attributable to its activities during the 85th Congress.

1. Defense matters

(*a*) *Defense Standardization* (7th report of committee, H. Rept. 882, 85th Cong.).—The investigation, hearings, and report in this area were directed toward speeding up the defense standardization program which has enormous potential savings. The committee report contains 11 recommendations which, if affected, should result in savings of several billion dollars. The Department of Defense has acknowledged the merit and basic validity of the report, and means of implementing it are under consideration.

(*b*) *Military Tank Procurement* (10th report of committee, H. Rept. 958, 85th Cong.).—The investigation, hearings, and report in this area were directed to ending the failure to use a substantial number of heavy tanks, representing more than $186 million in funds allocated for procurement of these tanks. When the investigation was undertaken, the tanks were standing idle in open storage and were considered unserviceable for combat use. The committee's action was instrumental in speeding a decision to make these tanks combat usable by modification, and savings of approximately $500,000 in storage and other costs were thereby effected.

(*c*) *Military Clothing Procurement* (13th report of committee, H. Rept. 1168, 85th Cong.).—The investigation, hearings, and report were directed to eliminating wasteful, costly, and improper practices in the military clothing procurement field. The committee's report contains 30 far-reaching recommendations which, if effected, will result in savings of millions of dollars. The Department of Defense is now considering means of implementing the report. Some specific savings already have been effected, as evidenced by the action of the military procurement agencies in obtaining money payments from delinquent contractors.

(*d*) *Letter Contracts and Contract Terminations* (14th report of committee, H. Rept. 1169, 85th Cong.).—The committee's studies and report in these areas were directed to more careful protection of the Government's interest in large contract operations. This report will help to minimize the duration of so-called letter contracts which commit the Government to large expenditures without specific contractual terms, guaranties of performance, and the privilege to default in the absence of performance. A tightening of contract-termination procedures will result in savings to the Government of hundreds of millions of dollars.

(*e*) *Surplus military property disposal.*—The committee staff screens pending sales of surplus property by military installations with the objective of preventing the disposal for a few cents on the dollar of valuable property which can be effectively used by other Government agencies or which can yield greater returns if sold for specific commercial purposes. From time to time, the attention of the Federal Civil Defense Administration has been called to available surplus property useful for civil-defense purposes, which otherwise would be sold for small returns.

In another case, the committee was instrumental in preventing the disposal, for a negligible sum, in Japan of metal fence posts originally costing $2,482,000, and effecting their use by the Corps of Engineers.

Also, the committee was instrumental in effecting a change in the demilitarization policy in the Department of Defense by which surplus aircraft, instead of being sold for scrap, are sold to commercial users. In 1 specific sale, additional returns to the Government of $119,000 were realized. Many more thousands of dollars will be realized in future sales.

In another instance 87 TBM planes which had been scheduled for sale as scrap were made available as commercial flyable planes. This resulted in a direct saving to the Government of $184,984.87. In addition, 10 TBM planes were transferred to the United States Forest Service for fire-protection purposes and the military regulations dealing with demilitarization was amended to make additional property available for sale for its original use rather than for scrap purposes.

(*f*) *Elimination of Air Force baking facilities.*—As a result of conferences with Air Force officials, the elimination of unnecessary baking facilities planned for the new Air Force Academy was effected at a saving of approximately $13,000.

(*g*) *Civil defense expenditures.*—Substantial savings in civil defense expenditures resulted from the committee's investigation of contracts let for survival planning studies. The finding of overlapping and duplicating contracts resulted in revisions and cutbacks which may effect savings of up to $500,000.

Sharp reductions in FCDA annual appropriations have reflected the committee's finding that Federal expenditures for civil defense were largely ineffective. These reductions also indicate an increased congressional awareness of the need for critical scrutiny of FCDA budget requests, rather than a routine acceptance of Executive budget estimates.

The committee is convinced that wasteful expenditures for civil defense have been avoided and that future budget requests for this purpose may be based on more realistic civil defense planning.

(*h*) *Reduction in SAGE costs.*—As a result of the committee's interest and subsequent action by the General Services Administration and the Federal Communications Commission, discussed earlier in this report, the cost of telephone service for the project has been and will continue to be reduced by $11 million a year.

2. International matters

(*a*) *Aid operations in Iran.*—Commencing in the 84th Congress, the committee conducted a sweeping and detailed inquiry into the administration of the United States foreign aid program in Iran. Since 1951, International Cooperation Administration expenditures in that single country have exceeded one-third of a billion dollars—an average rate of expenditure of about $50 million per annum. Our inquiries culminated in the publication of House Report 10, 85th Congress. It is impracticable to attempt a precise determination of how much saving already achieved in this program is attributable to the impact and specific recommendations of the report, but there is no question that the effects thereof have included extensive tightening of

former slipshod practices and procedures. Reasonable estimates of future savings could run into several millions of dollars.

(*b*) *International Cooperation Administration budget formulation and presentation.*—During the 85th Congress, the committee undertook a careful study of the budget formulation and presentation practices of the International Cooperation Administration, resulting in the publication of House Report 449. The dominant purpose of this study was to assist in clarifying for Members the massive and complex budget request, thus aiding effective evaluation, and to point up deficiencies in existing legislation requiring correction through amendment. In the committee's opinion, this report and that on Iran were undoubtedly responsible, either directly or indirectly, for very significant dollar savings in our aid program. In the last session, they led to floor action which included a tightening of the use by the Executive of discretionary funds. With a greater awareness among the Members of the uses to which money is to be put, the International Cooperation Administration will find it necessary to eliminate those items which cannot be fully justified, the total of which will undoubtedly come to many millions of dollars.

(*c*) *State Department public-opinion polls.*—The committee's report on State Department public-opinion polls, resulted in a correction of a misuse of confidential funds by the Department of State, which had resulted in the expenditure of $553,000 over a 14-year period. The report also called attention to improper propagandizing by the International Cooperation Administration, although the cost of this impropriety to the Government in dollars is impossible to measure. Since the Department of State has agreed to terminate the use of confidential funds for polls in the future, the measurable saving is close to $40,000 a year.

(*d*) *Offshore procurement contracts in Europe.*—As a result of the committee's investigation into the European operations of the General Accounting Office and related programs in that area, the United States Army—Europe took immediate action with respect to recoupment of local taxes included in United States offshore procurement contracts in Europe. This has resulted in recovery of $366,183 on 35 Italian contracts and $529,870 on similar contracts in other European countries. In addition, there is a possibility of recovering an additional $257,074, representing disputed amount of local taxes involved in 7 other Italian contracts. The total amount, actually recovered to date is $896,053.

(*e*) *Cambodian highway project.*—The committee's comprehensive investigation of the ICA-negotiated contracts for the Cambodian highway project, as an integral part of its overall study of foreign aid construction projects, has resulted in actual and anticipated savings to the United States totaling upward of $850,000. This includes the probable denial, by ICA, of a pending petition of the construction contractor for an increase in his fee from $525,000 to $1,020,000—a saving of $495,000. This denial would also have the effect of eliminating a basis for increasing the fee of the engineering supervision contractor on the Cambodian highway project.

The General Accounting Office is considering, with a view to recovery, the legality of the payment by the contractor of $92,000 in commmissions on his sale of his used construction equipment to the Government for $920,000.

There also appears to be a basis for a tax recovery, with penalties estimated at $250,000, as a result of the committee's disclosures as to the manner in which the contractor ran his $525,000 profit through a foreign corporation.

Acting upon evidence developed by the subcommittee, ICA was able to recover $5,250 that it had paid to the construction contractor as part of an equipment expediting contract that had been disapproved by ICA.

(*f*) *Thailand highway project.*—Questions raised by the committee as to the propriety of awarding an engineering contract for a Thailand highway project to a high bidder of the overseas mission's choice have already resulted in a $300,000 reduction in the proposed fee of the engineering firm. In all probability, when the contract is let the fee will be reduced, as a result of this study, in an additional amount of $150,000 to $200,000.

(*g*) *Taiwan dam project.*—When the committee questioned the intention of ICA to reverse the recommendations of its contract office and award a contract to a high bidding construction contractor for a dam project in Taiwan, the agency assured the committee that the fee of the successful bidder would be negotiated downward to come as close as possible to the level of the fee proposed by the low bidder. The savings potential is the $500,000 spread between the proposed fee of the low bidder and the proposed fee of the successful bidder. The actual savings should be at least $250,000.

3. *Public-works matters*

(*a*) *Federal timber sales.*—The interest of the committee in Federal timber policy has resulted in substantial savings to the Government (primarily in the form of increased revenues) in the marketing and administration of its timber property. In line with recommendations in House Report 2960, 84th Congress, Federal Timber Sales Policies, the Federal agencies with timber-marketing functions in 1957 lifted certain marketing and other restrictions affecting timber sales, thus enabling the Government to receive the higher price normally incident to an increase in the number of bidders.

Also, more extensive and accurate inventorying, along lines of the recommendations in the committee report, is being done by the agencies concerned. Today, inventory levels have been raised by 1 billion board-feet, valued at $20 million. When fully completed, the inventory levels will have been raised by an estimated 2 billion board-feet, valued at $40 million. Thus there is a more precise basis for establishing the full allowable sustained-yield cut.

Also, pursuant to the committee's recommendations, salvage sales of dead and dying timber have increased and become more profitable.

Moreover, following the committee's report and a GAO audit, the affected Federal agencies have improved their timber-appraisal methods with the result that the appraised (fair market) value of the timber—which is the upset price at public sales—is more accurately determined, giving greater assurance of a fair return to the Government.

The extent of these savings can be seen from the fact that the Government's estimated timber-sale income in 1957 from the national forests alone is $110 million.

Although not a direct monetary gain to the Federal Government, the Indians of the Quinaielt Reservation in Washington, whose tim-

berlands yield close to 100 million board-feet annually, have been benefited by adoption by the Bureau of Indian Affairs of some of the committee's timber-policy recommendations. A report subsequently made by the Senate Committee on Interior and Insular Affairs (S. Rept. 971, 85th Cong., Timber Sales, Quinaielt Indian Reservation, p. 6) referred to this committee's recommendations and noted that the Bureau of Indian Affairs had adopted some of the recommendations, viz, promulgation by the Bureau of "a basic policy of stimulating relatively short-term, low-volume sales of Indian timber, using competitive bid methods," and the Bureau's discontinuation of "the practice of requiring bidders on allotted timber to make advance payments so large that maximum participation in the sale offering is restricted."

(*b*) *Virgin Islands.*—Several recommendations of the committee's report on the economic appraisal of the sugar operations of the Virgin Islands Corporation may result in the following savings to the Government:

(i) Separate pricing of Virgin Islands raw sugarcane, which has more fiber than Puerto Rican sugarcane, would amount to $40,000 financial benefit annually to the Virgin Islands Corporation, a Federal Government Corporation.

(ii) Thirty-five thousand dollars saving can be achieved annually through more adequate flow of sugarcane to the factory of the Virgin Islands Corporation.

(iii) Annual savings of $90,000 by improvement of stores handling procedures of the Virgin Islands Corporation.

The committee's recommendations concerning the Virgin Islands government can result in the following savings:

(i) Cessation of the 8 cents per gallon molasses subsidy payments by the Federal Government would result in savings of $50,000 annually.

(ii) The committee recommended against the installation of a $1½ million salt-water distillation plant in the Virgin Islands and the substitution of a more effective retention reservoir costing only $600,000. Abandonment of the expensive distillation project could result in a potential savings of almost $1 million. This matter, however, is still under consideration by the Interior Department.

(iii) The committee's recommendations regarding adequate fire prevention and preparedness as well as disaster-insurance coverage, made as a result of a January 1957 fire at the Virgin Islands Corporation sugar plant which destroyed property having a replacement value of $150,000 should result in elimination of such losses in the future.

(*c*) *Public power preference customers* (*Roseville, Calif.*).—On October 15, 1956, 3 weeks after the conclusion of hearings held by this subcommittee, the city of Roseville, Calif., was allotted 7,250 kilowatts of Central Valley project power by the Bureau of Reclamation. Roseville had been actively seeking project power since 1950 and for the past year had held itself free to contract with the Bureau for immediate delivery of power by taking its supply from Pacific Gas & Electric Co. on a very expensive day-to-day basis. The committee found that project power had been available for sale to Roseville for some time (cf. H. Rept. 218, 85th Cong., Availability of Power to Public Preference Customers From Central Valley Project (Roseville), pp. 2–3). How-

ever, instead of its being sold as dependable power to a preference customer such as Roseville, this power was being picked up cheaply by Pacific Gas & Electric at 2 mills per kilowatt-hour, to be resold at considerable profit. The sale to Roseville of 7,250 kilowatts of dependable power from the Central Valley project has meant increased revenue to the United States of approximately $7,000 monthly over what would have been derived from disposal of the same energy to Pacific Gas & Electric Co. Moreover, the savings accruing to the city of Roseville as a result of the new power contract with the Government currently amount to $60,000 a year.

(*d*) *Defective power conductor.*—In response to a request by the subcommittee, the Comptroller General of the United States investigated allegations that the Aluminum Company of America had furnished defective high-voltage Chukar conductor to the Bonneville Power Administration. Thereafter, a supplemental agreement dated February 6, 1957, was entered into under which the Bonneville Power Administration received a consideration of approximately $330,000 for waiving its claims against the company.

(*e*) *Morningside Hospital, Portland, Oreg.*—It is expected that the Morningside Hospital investigation will result in the collection of considerable back taxes by the United States Government. The Internal Revenue Department is making an exhaustive review of all financial aspects connected with this operation. The amount of income involved during the 20-year period 1936–55 exceeds $230,000.

(*f*) *Nickel plant, Nicaro, Cuba.*—The acceptance of certain findings and recommendations made in the committee's report of June 19, 1956, Inquiry Into the Expansion and Operation by General Services Administration of the Government Nickel Plant at Nicaro, Cuba, has resulted in savings. During the fiscal year of 1958, a savings of $52,330.19 was made in the operator's fee. The GSA is negotiating for a downward adjustment of engineering fees paid the H. K. Ferguson Co., and of the construction contract fee paid Snare-Merritt. A better utilization has been made of accounting records, and inventory control has been substantially improved.

(*g*) *Federal Housing Administration insurance practices.*—The committee conducted an investigation of the practices of the Federal Housing Administration in insuring residential leasehold in the Territory of Hawaii. As a result of this investigation, recommendations were made to FHA which are expected to be incorporated in the very near future. The appraisal practices in regard to residential leaseholds were such that over insurance has resulted which probably exceeds $2 million. Also, the committee pointed out to FHA that the Government asssumed the obligation of paying annual ground rentals but did not receive any premiums for assuming such obligation. Efforts will be made to get FHA to collect the usual one-half of 1 percent premium on the amount of such obligations. Should this suggestion be adopted, the value to the Government should be the value of a $12,000 annuity in perpetuity.

4. Surplus property matters (*see also Defense matters, supra*)

Under section 203 (e) of the Federal Property and Administrative Services Act of 1949, as amended, the Committee on Government Operations is charged with the responsibility of reviewing all pro-

posed negotiated sales of surplus property. The law requires that prior to the consummation of such a sale the committee be furnished an explanatory statement justifying the use of negotiation rather than competitive bidding. These statements are referred to the General Government Activities Subcommittee for consideration. It is our opinion that the fact that this committee examines the propriety and advisability of these proposed sales motivates the disposal agencies to secure a higher return for the Government. Savings resulting from such motivation cannot be estimated with any degree of accuracy.

(*a*) *Rohr Aircraft plant, Chula Vista, Calif.*—GSA proposed to sell this property to the Rohr Aircraft Corp. for $925,000 with the rentals after April 1, 1957, to be applied on the purchase price. After the committee rejected this sale, Rohr agreed to pay $1,075,000 for the facility, effective October 1, 1957. By this action the taxpayers were saved $276,660 ($150,000 increase in purchase price and $126,660 in rent from April 1 to October 1).

(*b*) *Haster property, Garden Grove, Calif.*—The committee twice opposed negotiated sales of this 112 acres of unimproved realty because it was felt that the fair market value greatly exceeded the proposed sales price of $1,800 an acre. As a result of this action, the property was sold by bid at $317,774.45 more than the price proposed in the negotiated sales by GSA.

(*c*) *Outlying flying training field No. 36, Nueces County, Tex.*—GSA proposed to sell this tract for $42,500. After a physical inspection of the property and a study of comparable land values, the committee concluded that the property was underappraised. A new appraisal was for $65,050, an increase of $22,550 over the original appraisal. It is anticipated that a sale of this property at the higher figure will be made in the very near future.

(*d*) *Outlying flying training field No. 22, Nueces County, Tex.*—GSA proposed to sell this property for $59,416. An investigation and study by the committee indicated that the fair market value exceeded that amount. It is anticipated that in the very near future GSA will sell this same property for $75,000, an increase of $15,584 over the original proposed sales price.

(*e*) *Shipyard, Newport News, Va.*—The committee blocked the sale of the Government's shipyard at Newport News, Va., because the proposed sales price of $3,510,000 appeared to be grossly out of proportion to the true fair market value. A new appraisal of the shipyard has been ordered, and it is expected to exceed the proposed sales price by more than $1 million.

(*f*) *Airport, Burke, Va.*—As a result of committee action it is expected that an additional $250,000 will be received by the Government from the sale to former owners of about one-half of the Burke Airport property. Approximately one-half of the Burke Airport property will likely be transferred for educational, park, and recreational purposes.

(*g*) *Harris County, Tex.*—It is expected that an additional $34,189 or more will be received by the Government for certain surplus property in Harris County, Tex., the sale of which was recently blocked by the committee because the price was based on an appraisal almost 2 years old. The new appraisal requested set the value at 52.7 percent more than had the rejected appraisal.

5. Cheese purchase-resale transactions

As a direct result of committee investigations, the Justice Department has brought suit and obtained judgments for $1,454,087 against recipients of Federal moneys in the illegal cheese purchase-resale transactions approved by the Department of Agriculture.

6. Transportation of household effects

A study made by the Bureau of the Budget, Defense Department, and the General Accounting Office, as a result of the committee's interest has indicated that the Government may make substantial savings by contracting for the transportation of household effects on a mass basis rather than by individual contracts. In a pilot effort savings of about 50 percent were effected. A full report is expected in the near future.

7. Polio vaccine

As a result of a committee investigation which indicated that the Government was paying twice as much for polio vaccine as was the National Foundation for Infantile Paralysis, five vaccine manufacturers have been indicted for price fixing and suits for the recovery of several million dollars are being considered by the Justice Department.

8. Storage and handling of documents

On September 27, 1958, the Defense Department issued DOD Directive 5200.9, providing for the declassification of nearly all Defense Department documents originated prior to January 1946. Top-secret documents exempted from declassification, such as war plans and counterintelligence reports, are to be automatically downgraded to secret.

The Department estimates there are 325,000 cubic feet of classified documents in storage which originated prior to 1946, and the average, nationwide cost of storing the classified documents is estimated by the Department at $2 per cubic foot per annum. The comparable cost of storing nonclassified documents is 80 cents per cubic foot.

The immediate savings in storage costs, through declassification of the Defense Department documents older than 1946, will be at least $390,000 annually.

Other savings will be realized by a reduction in shipping costs, particularly between Washington, D. C., and the Government's main record storage depot in St. Louis, Mo. The Defense Department reported it costs $20 per cubic foot to ship top-secret documents between the two cities, $15.50 per cubic foot to ship secret documents, and only $3.10 per cubic foot to ship unclassified documents.

The Defense Department directive resulted from recommendations adopted by the House Government Operations Committee in House Report 2947 (84th Cong., 2d sess.). Following the committee's adoption of the report, the Defense Department in August 1956, appointed the Committee on Classified Information under the chairmanship of Charles A. Coolidge. Members of the Coolidge committee discussed the declassification problem at public hearings before the Special Subcommittee on Government Information and the Coolidge committee supported the recommendations in House Report 2947 for declassification of the huge backlog of classified material. As a result, the Defense Department established the Office of Declassification Policy un-

der Vice Adm. John M. Hoskins (retired). Recommendations for action on the declassification problem were repeated and reinforced in reports adopted by the House Committee on Government Operations in June and August 1958 (H. Rept. 1884 and H. R. 2578, 85th Cong., 2d sess.) and the declassification action finally was taken on September 27, 1958.

B. NONMONETARY BENEFITS

A look at the results of the committee's actions reveals many benefits accruing to the taxpayers which are not measurable in terms of monetary benefits. Still, these fall clearly within the scope of the committee's jurisdiction over the efficiency and economy of Government operations, over the relationships between the Federal Government and State and local governments, and over budgetary, accounting, and property matters. Some of the more important of such benefits accruing during the 85th Congress, not heretofore discussed, are described below:

1. Revision of foreign excess property procedures

The Secretary of Commerce forwarded to Chairman Dawson a letter stating that as a result of the subcommittee hearings on the importation of foreign excess property, the Department recognized the "possibility of a need for a thorough revision of the procedures and statutes governing this area of our operations." The Secretary further stated that a study had been instituted with a view toward making, as promptly as possible, any improvements that may be made under current law. On December 3, 1958, the Secretary published in the Federal Register a notice of proposed new regulations on the subject (23 F. R. 9332) along the lines recommended by the committee.

2. Military clothing procurement

As a result of the committee's action in this field, the Department of Defense, cooperatively with the Small Business Administration and the Department of Labor, are taking steps to insure that irresponsible contractors will be weeded out from Government procurements. Also, a clarification of bidder responsibility under the Walsh-Healey Public Contracts Act was made by the Department of Labor and published in the Code of Federal Regulations.

3. Audit of Military Air Transport Service

The Comptroller General has decided to institute a long-range audit program for the Military Air Transport Service after reviewing the committee's hearings on military air transportation.

The Comptroller General has advised the committee that this audit program will:

> * * * cover a review and evaluation of the organization and activities at both management and operating levels, including determination of (1) management responsibilities, (2) effectiveness of policies, procedures and management controls relating to programing, budgeting, operating performance, accounting and reporting at all levels (3) efficiency of airlift operations under the industrial-fund concept, which is scheduled to go into effect in fiscal year 1959, and (4) coordination by the MATS and the military departments in utilizing airlift facilities in logistical operations.

4. Foreign operations

(*a*) As a result of the committee's defense support funds report, the General Accounting Office took fiscal exception to the expenditure of defense support funds in the amount of about $5 million, covering 20 projects, in the fiscal year 1958 program. The General Accounting Office supported the proposed exceptions by a statement that in the opinion of GAO, the expenditures had not been within the meaning of the mutual security legislation language defining defense support. The matter is still pending in the GAO files.

(*b*) Within ICA there is evidence that more weight and substance are being given to GAO audits of foreign aid operations as a result of this subcommittee's follow-through activities on ICA operating deficiencies disclosed by GAO.

(*c*) As a result of the committee's efforts, substantial improvements have been made in the presentation of the ICA budget. Recent presentations have been responsive to this subcommittee's recommendations and are designed to provide Congress with a clearer picture of the mutual security program.

(*d*) ICA has circulated the committee's report on foreign-aid construction projects to its overseas mission and its Washington operating units. The Director has requested a written response from all missions and Washington offices involved in the subcommittee's findings. The report also has been widely circulated in the engineering and construction fields and much interest has been evidenced in the high contractual standards Congress expects from contractors and ICA. Comments have been received from prospective contractors that the report has provided them, for the first time, with a basic understanding of ICA contracting policies and procedures.

5. False and misleading advertising

(*a*) As a result of the committee's action, the Federal Trade Commission completed a consumer survey to determine the reason that filter-tip cigarettes are being used by consumers. The FTC Chairman said that results of this survey will be of "material assistance" to the Commission's enforcement actions against deceptively advertised cigarettes.

(*b*) As a result of attention focused by the committee on the lack of testing standards, FTC has set up industry conferences seeking to provide such standards. Since early this year the FTC has required scientific proof of claims advertised for filter-tip cigarettes, undoubtedly as a result of the committee's hearings containing evidence as to the deception contained in such advertising.

(*c*) There can be little doubt but that the hearings of the committee were instrumental in the FTC action taken in the last 4 months against four companies on charges of deceptively advertised weight-reducing preparations. There had been no FTC activity in this field since 1946.

(*d*) A recent promulgation of advertising guides for the promotion of ethical drugs published following the committee's hearings was attributed in the trade press to attention focused on this matter by the committee hearings.

6. "Snooping" on Government employees

The committee was able to contribute to the morale and courage of Government employees by exposing and publicly rebuking officials of

a private firm (Freeport Sulphur Co.) who directed an investigation into the personal life of a Government official with whom they were trying to negotiate a multi-million-dollar ore-royalty contract. The investigator was an ex-FBI agent whose report revealed a calculated effort to uncover past misconduct of an unsavory nature against the Government negotiator. Public exposure and reprimand for such ethically reprehensible conduct properly incurs public scorn toward the guilty party, thereby discouraging such conduct in the future; also deserving protection is given the Government employee investigated. The Government employee in this instance thanked the subcommittee for its support, saying he would have greater courage and a stronger will to do a good job for the taxpayers. An editorial on the subject appeared in the April 25, 1958, issue of the Washington Post.

7. Protection of probational employees

Early this year an investigation was made of alleged procedural irregularities surrounding the separation of a probationary civil-service worker at the Norfolk Naval Base. It was discovered that a probationary employee had no right of appeal in such instances. After the investigation, the committee was notified by the Civil Service Commission of a new regulation, effective February 16, 1958, which confers upon such employees a right of appeal to the Commission where procedural irregularities are alleged. Therefore, probationary employees now receive an additional benefit in the form of protection against the flouting of procedural regulations.

8. Improvement in saline water conversion program

The committee's inquiry into the saline water conversion program focused new emphasis by the Interior Department on what was until then a lagging program. At the direct request of the subcommittee the Interior Department recently completed a comprehensive survey of the procedures of the Office of Saline Water recommending adoption of many of the recommendations made by the committee in its report. Other committee recommendations, such as those dealing with revision of contract provisions, prompt publication of research results, increased coordination and stimulation of research by diverse organizations, etc., have already been adopted by the Interior Department, and others are still under consideration in that and other agencies.

Part V.—Committee Action on Reports of the Comptroller General

Rule XI, clause 8 (c) (1) of the Rules of the House, imposes the duty upon this committee to receive and examine reports of the Comptroller General referred to it and to make such recommendations to the House as it deems necessary or desirable in connection with the subject matter of the reports.

In discharging this responsibility all reports of the Comptroller General received by the committee are studied and analyzed by the staff and referred to the subcommittee of this committee having jurisdiction over the subject matter involved.

The subcommittees then review the reports and take whatever action is needed to follow up on them. This may involve correspondence or interviews with the agencies and in some cases will require hearings

and formal reports to the Congress on the individual subject matters. In other instances, because of the press of other subcommittee business, because of the extent and nature of the program already underway, or because the subcommitee believes further action on the reports is not needed, the subcommittees report that they do not intend to act on the report.

The subcommittees report monthly whatever action has been taken on the reports charged to them. In any case where it is reported that no subcommittee action is contemplated, the subject matter of the report is reviewed by the committee staff and developed to such extent as may be necessary for the full committee to meet its responsibility under the above cited rule.

Complete files are maintained of all Comptroller General reports received by the committee and a record is kept showing the subcommittee to which referred, the date of referral, and the action taken. Monthly reports are made to the chairman on the status of all reports received.

During the 2d session of the 85th Congress to October 31, 1958, 124 reports of the Comptroller General have been referred to this committee by the Speaker. Eighty-seven of these reports currently are under consideration by the various subcommittees. The remaining 37 reports have been examined by the subcommittees and the decision made that no further action is contemplated. These 37 reports have been reexamined and analyzed by the staff to determine if further action by the committee is indicated.

Staff conferences were held with General Accounting Office personnel on 15 of these reports to develop more detailed information on selected findings which appeared to warrant further attention by the committee. On the basis of information developed at these conferences further inquiry was directed to the agencies involved in 7 of these reports in order to provide a more comprehensive base for committee evaluation of the General Accounting Office findings and recommendations contained therein. Upon completion of the records in these and other cases the full committee will consider whether recommendations to the House are required under rule XI.

During the 1st session of the 85th Congress, 59 reports of the Comptroller General were handled by the committee, making a total of 183 for both sessions.

It should be noted that the committee has a good working relationship with the Comptroller General, as contemplated by the Legislative Reorganization Act of 1946. From time to time General Accounting Office employees have been assigned either to work directly with the committee or to provide assistance in other ways.

It is not unusual for a committee report to recommend that certain follow up action be undertaken by the General Accounting Office either individually or in cooperation with executive agencies. In addition, the committee often asks for a Comptroller General's opinion or ruling on the legality or propriety of actions taken or proposed by the Executive agencies.

The close working relationships between the committee and the Comptroller General have been a source of mutual satisfaction. The committee looks forward to their continuance and to even more useful cooperation in the future.

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