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SMALLER WAR PLANTS CORPORATION

FIFTEENTH

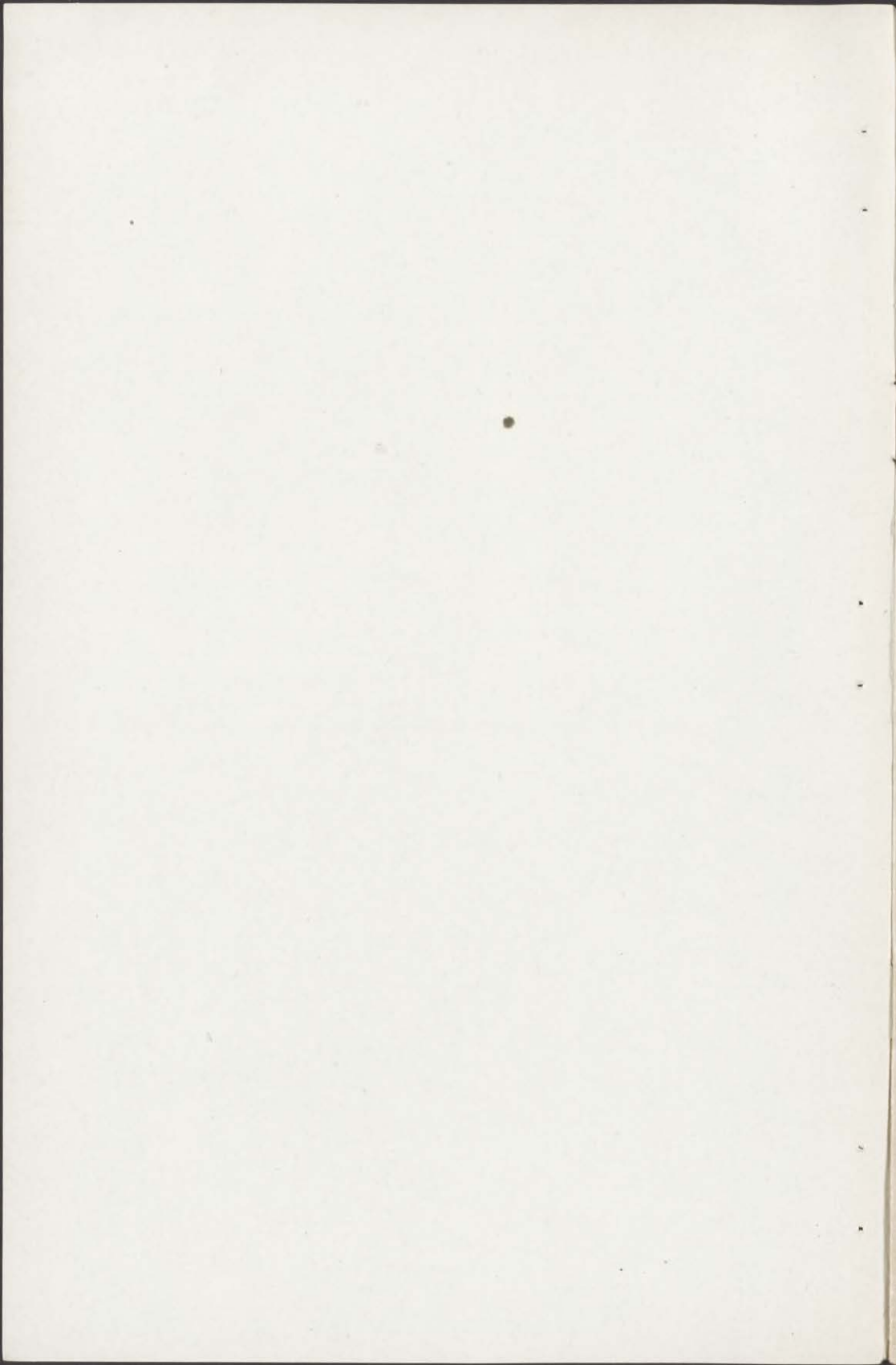
Progress Report

UTAH STATE AGRICULTURAL COLLEGE L

October 1–November 30

1944





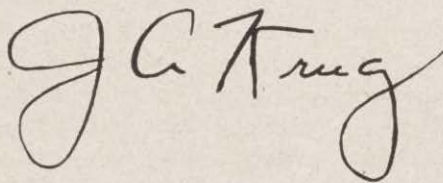
LETTER OF SUBMITTAL

OFFICE OF THE CHAIRMAN,
WAR PRODUCTION BOARD,
WASHINGTON, D. C., *December 4, 1944.*

MY DEAR MR. PRESIDENT:

Pursuant to Section 5 of the act approved June 11, 1942 (Public Law 603, 77th Cong.), I have the honor of submitting herewith the FIFTEENTH REPORT on the operations of the Chairman of the War Production Board under that act. For this purpose I am transmitting a report to me from Maury Maverick, Chairman and General Manager of the Board of Directors of the Smaller War Plants Corporation. This report covers the period from October 1 through November 30, 1944.

Respectfully,

A handwritten signature in dark ink, appearing to read "J A Krug". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

J. A. KRUG.

THE PRESIDENT OF THE UNITED STATES,
The White House, Washington, D. C.

LETTER OF SUBMITTAL

TO THE EDITOR

OF THE

AMERICAN JOURNAL OF

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LETTER OF TRANSMITTAL

DECEMBER 4, 1944.

MR. J. A. KRUG,

Chairman, War Production Board, Washington, D. C.

Subject: Fifteenth Bimonthly Report of the Smaller War Plants Corporation.

DEAR MR. KRUG: Congress has just voted confidence in the Smaller War Plants Corporation to the extent of \$200,000,000. This is at your disposal for the war. We note that facilities for mortars and other munitions must be built; we will be glad to finance these enterprises if they are anywhere in the "small plant" category.

In general, we will do everything to cooperate in this program. All of our engineers are now at work attempting to find facilities and are giving this information to the War Production Board and to the War Department.

You may consider that the Smaller War Plants Corporation is at your disposal, and you may consider myself, our Board of Directors, and every employee of our Corporation ready for any service for victory.

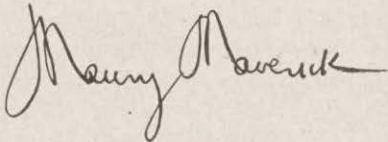
In view of the important new duties imposed upon this Corporation by Congress, I would like to call your attention to that part of the report which sets forth in detail our new responsibilities.

In this connection the question of extending the life of the Corporation must be considered in the very near future. The intent of Congress in regard to small business is clear. It is reasonable to assume, therefore, that Congress will give early consideration to the extension of the life of the Corporation if it is to meet the responsibilities imposed upon it by the Surplus Disposal Act, the Contract Settlement Act, and the Reconversion and Demobilization Act.

Small business and the small manufacturers are patriotic and want to win the war. They have and will continue to cooperate wholeheartedly.

Again I want to express my feeling of deep confidence in the bold and courageous manner in which you are guiding war production in America.

Sincerely yours,



MAURY MAVERICK,
Chairman and General Manager.

CONTENTS

	Page
Letter of Submittal	I
Letter of Transmittal	III
I. Congress Has Entrusted New Obligations to the Smaller War Plants Corporation	1
II. Disposal of Surplus Machine Tools	5
III. Multiple Industrial Tenancy	7
IV. Technical Advisory Service	9
V. The Veterans' Program	12
VI. Regional Boards of Governors	14
VII. Contracts Placed With The Assistance of Smaller War Plants Corporation . .	16
VIII. Financial Assistance to Small Plants by Smaller War Plants Corporation . .	18

EXHIBITS

I. Regional Distribution of Prime and Subcontracts Awarded With the Corporation's Assistance, October–November, 1944	20
II. Distribution by Size of Plant, for Prime and Subcontracts Awarded With the Corporation's Assistance, October–November, 1944	20
III. Number and Dollar Value of Contracts Awarded by Government Procurement Agencies	21

APPENDIX

New Powers of the Smaller War Plants Corporation	23
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FIFTEENTH BIMONTHLY REPORT OF THE SMALLER WAR PLANTS CORPORATION

October 1 through November 30, 1944

I

CONGRESS HAS ENTRUSTED NEW OBLIGATIONS TO THE CORPORATION

During the past six months extremely important new responsibilities have been entrusted by the Congress to the Smaller War Plants Corporation. Those greatly expanded duties, summarized in the Appendix of this Report, go far beyond those imposed upon the Corporation by Public Law 603.

To complete the reconversion and surplus property programs laid out by the Congress will take at least two to four years.

Help to Small War Plants on Termination Settlements

The Contract Settlement Act charges the Corporation with tasks related to all objectives of the law. The Corporation shares in the various powers and responsibilities of contracting agencies generally. Among specific duties, the Corporation is directed to make interim loans and guaranties to small business, and to otherwise assist in securing interim financing, in preparing termination claims, in obtaining termination settlements, and in effecting the removal and storage of termination inventories.

The Act further specifically instructs by its statutory provisions that the Director of Contract Settlement shall collaborate with the Smaller War Plants Corporation in protecting the interest of smaller war contractors in obtaining fair and prompt termination settlements.

As directed by the Act, our agency has already held meetings throughout the country to give smaller manufacturers information on preparation and submission of termination claims. In addition, special training has been given to the staffs of the Field Offices of the Smaller War Plants Corporation to prepare them for giving assistance to subcontractors in the preparation of claims.

Increase in Capital to Expand Lending Activities Has Been Granted

The Corporation is interested in lending to small plants which are experiencing difficulty or delays in financing termination claims. To do so adequately and to carry out the duties imposed on the Corporation by the Surplus Property Act, Congress has increased the Corporation's capital by \$200 million. This action is evidence of the confidence of Congress in the work of the Corporation.

Survey Revealed Needs of Small Plants When War Contracts Terminate

The needs of small manufacturers for assistance in contract settlement, revealed in a special study of New England companies, were fully discussed in the Fourteenth Bimonthly Report.

The findings indicated that redoubled efforts by Government agencies were needed to help the small manufacturer understand and prepare for the complexities of termination procedures. The Corporation must continue to emphasize the need among manufacturers for more adequate accounting records and, on the other hand, to see that the small manufacturer obtains fair and speedy settlements in spite of accounting shortcomings and lack of specialized termination personnel.

The Corporation must be in a position to furnish prompt financial assistance, when needed, to manufacturers unable to obtain it from private sources. Without access to such financing, even a relatively short lag between terminations and the resumption of civilian business, coupled with tax and renegotiation payments, will dissipate the cash resources of many concerns.

Government Surplus Property for Small Business Use

Under the Surplus Property Act, the Smaller War Plants Corporation is authorized to make or guarantee loans to small business for the purpose of acquiring and operating plants and to arrange for the sale of surplus property on credit.

Whenever necessary to preserve and strengthen the competitive position of small business, the Corporation is given the power to purchase surplus property for resale, subject to regulations of the Surplus Property Board. The transfer of such surplus property to the Corporation is given priority over other disposals provided for in the Act.

The Corporation is directed to consult with small business to obtain full information concerning its need for surplus property. It is directed to make surveys and bring to the attention of other agencies the requirements of small business or any cases of discrimination in disposal.

Four Major Programs of the Corporation on Surplus Disposal

The responsibilities placed upon the Smaller War Plants Corporation in surplus property disposal will require at least four major programs:

1. To assist the smaller manufacturer or businessman in locating needed property now scattered pell-mell throughout the country.
2. To help finance where necessary the purchase of surplus property.
3. To assist small business in determining its needs so as to increase efficiency by modernization of machinery.
4. To purchase surplus property for resale to small business. The last, if it becomes necessary and desirable to protect the interests of small business, would call for large operational programs.

Small Business Will Get Fair Share of Materials for Nonwar Production

Under the Reconversion Act, whenever materials are allocated for nonwar production by an executive agency, it must set aside for small plants a fair and equitable percentage. The Chairman of the Corporation must be consulted in the establishment of criteria and quotas.

Further Broadening of Authority Needed to Benefit Small Business and Veterans

The Corporation, under its present powers, can make loans for war or essential civilian production, for financing termination claims, and for the acquisition of surplus property by small business. These are restricted purposes. Under a national policy of fostering new business and strengthening the small enterprise system generally, a broadening of legislative authorization would be beneficial. As Mr. Bernard M. Baruch and Mr. John M. Hancock stated in their Report of February 15, 1944, a consideration of first importance is to—

Provide credit means for those requiring it during the adjustment period, particularly for the smaller business groups and returning servicemen.

Small business has even greater need for *equity* capital. The fulfillment of that need must also be sought in adjustments in the tax structure and more adequate investment facilities.

Charting the Future of Free Enterprise

Economic policies followed after the war will shape the American economy for generations to come. Before the establishment of the Smaller War Plants Corporation, the principal attack by Government on the small business problem had been to curb monopolies by Anti-trust suit. The Smaller War Plants Corporation marks both a supplementation of the fight against mo-

nopoly and a constructive approach in Government policy in combating the dangers of great concentration of industrial power. The Corporation has helped somewhat in enabling little business to compete with the giants and to gain access to financing on reasonable terms. Thus, the Congress made a valuable contribution to the war effort in this legislation. In addition, recent legislation gives more responsibilities to this Government agency to continue those positive efforts for little business in termination, surplus property disposal, and reconversion.

More is needed. The first job is to study additional ways and means for self-employment by men and women demobilized from the armed services and war industry. Plans should be developed for cooperation with research agencies, all Government agencies, and with universities—particularly with colleges of engineering and business administration—whereby small business could obtain access to knowledge of engineering and management information and methods.

The Congress should provide for a comprehensive study of small business, utilizing the experience of the Smaller War Plants Corporation. Questions of equity and loan financing, effective marketing of products, the most desirable size of operation in various industries, the bearing of taxation on business growth, management techniques, and similar subjects should be considered.

Life of Corporation Must Be Extended

To meet the foregoing new responsibilities and needs, the life of this Corporation must be extended into the reconversion period. A minimum of two, and preferably four, years' extension from the present expiration date of June 30, 1945, is indicated by the new statutory duties imposed upon the Corporation by the Congress.

This is not merely our opinion, but is based on our responsibilities which necessarily run concurrently with the Surplus Property, Contract Termination, and Mobilization and Reconversion Acts.

II

DISPOSAL OF SURPLUS MACHINE TOOLS

The machine tools owned by the Government are a subject of keen interest to smaller manufacturers. Present holders of these machines are mainly big manufacturers who have held the bulk of war contracts.

Not more than 20 percent of the machines, it is estimated by owning agencies, will be purchased by lessees. Machines released by them will have to be distributed mainly to smaller metal-working plants and to new shops started, say, by veterans.

The Surplus Property Act provides also for distribution to vocational schools but the total so usable will be a minor fraction of the total supply.

A Great Opportunity for Smaller Industry to Modernize

These comparatively new machines can be used to modernize smaller industry to the great advantage of the nation. Small American manufacturers have long been handicapped with obsolete and inefficient machinery. Its replacement with newer machines produced during the last four years would make possible increased production at lower cost. It will improve our national industrial efficiency, and strengthen the competitive position of smaller industry.

Modernization of smaller industry would remove much of the pressure to reduce wages which might otherwise develop after the war.

There is need for prompt action. Large manufacturers must retool rapidly after V-day to maintain employment. Government machines must be removed from their factories. The storage of machines is costly; suitable warehouse space is lacking. If machines are stored in unheated buildings or in the open, corrosion of vital parts will soon develop, and the value of the machines will be destroyed.

Small manufacturing plants provide the best space in which to place the machines for proper care and continued use. By transferring machine tools to them as soon as they become surplus, the nation's investment in the machines will be preserved, and reconversion speeded. If leases at low rates or sales on easy terms at realistic prices are necessary to effect such transfers, those financial arrangements should be provided.

Replacing Obsolete Machinery With Modern Surplus Machine Tools Will Benefit Small Business—and the Nation

The Government owns about 500,000 modern machine tools. Prior to the war, the entire machine tool equipment of the United States consisted of approximately 900,000 units. The Government-owned machine tools represent the equivalent of an estimated 15 years of normal production.

The average machine tool in small plants is about 15 years old. A fairly large proportion is more than 30 years old. Whether due to financial inability or to other reasons, smaller concerns generally have hesitated to acquire new, modern machines so long as the old machines turned out adequate work. As a result, a heavy price has been paid in higher production cost, in lower productivity of labor, and, in consequence, in lack of financial success.

The machinery modernization of smaller plants would introduce the faster feeds, deeper cuts, and closer tolerances developed by the machine tool industry in recent years. It would develop among small shops an awareness of the advantages of modern machinery and thus very likely create an additional demand for new machines. In any case productive efficiency would be increased.

The Nation's Investment in Machine Tools Will Be Safeguarded

The main point is that the Government's investment of approximately \$3 billion in machine tools should be safeguarded in the national interest. Small manufacturing is the only logical area where the machines can be preserved for future production.

The transfer of the productive equipment should not be impeded by haggling over terms. An estimate of final value likely to be obtained on disposition of the huge surplus would certainly result in lower prices than those at which the machines are now being offered. If these lower prices could be immediately put into effect, the disposal job could be completed more quickly, the machinery preserved from threatened deterioration, and kept in use by smaller industry—to make jobs and to produce more goods.

III

MULTIPLE INDUSTRIAL TENANCY

When the war ends, Government-owned industrial plant facilities costing \$16 billion will become surplus. Some of these federal factory buildings could be used to encourage new small business ventures as well as to provide better facilities for existing small business. In many instances this could be carried out by "multiple tenancy" of suitable surplus buildings. Multiple tenancy means the housing of many small industries under one roof, with access to common services, in what might previously have been one large factory.

Rightly managed such enterprises have proved successful. They give small industry access to quality facilities that it could not otherwise obtain. The Bush Terminal Buildings Company and the New York Dock Company, both located in New York City, are successful examples of this type of operation.

The Multiple Industrial Tenancy Plan

Many Government surplus plants are so large and so located that small business could not make use of them. For those plants that afford the best possibility of use by small business, Smaller War Plants Corporation has developed the Multiple Industrial Tenancy Plan. Under this plan, spaces in the property would be leased by a managing operator to a number of small industrial tenants. Related industries would find a market in servicing each other. All would have the benefit of facilities beyond the reach of the usual small industry. Advantages in pooled purchases and pooled sales are also possible.

During the development phase, the portion of the plant not utilized for manufacturing may be used for warehousing.

Advantages to the Community

Many advantages accrue to a community in having a diversity of small industries such as proposed under the Multiple Tenancy Plan. A more stable economy may be expected from a diversity of industries which also provides a market for a wider range of labor and technical personnel. Local

capital has an opportunity for investment, together with a great measure of control of the investment.

The existence of such facilities for small industry will give incentive and opportunity for our returning veterans to start a business of their own.

Small Number of Suitable Plants

The approximately 1,300 Government-owned war plants have a total floor space of 427,000,000 square feet, which is comparable to a 10,000-acre area. However, many of these plants are not suitable for conversion for use by small industry due to their physical characteristics, such as very high roofs or extremely large size, and their location in areas remote from workers' homes.

Out of the total of 1,300 plants, about 500 plants are physically suited to the multiple tenancy type of operations. However, some of the 500 are in locations too far from markets and materials and where other limiting factors are present. Some will also be sold for one-company occupancy.

It is estimated that as many as 200 of the 500 suitable plants will be capable of operation under the Multiple Tenancy Plan.

Role of Smaller War Plants Corporation

The Corporation is promoting this plan aggressively. Various agencies and associations whose interest is intimately involved have expressed approval of the plan as a means of getting the surplus war plants into active peacetime production.

The promotional plan will depend entirely upon local initiative and local capital exerting themselves to take over and operate suitable plants.

Smaller War Plants Corporation proposed the Multiple Tenancy Plan to promote the maintenance and creation of small business which is essential to full employment and the preservation of the free enterprise system.

IV

TECHNICAL ADVISORY SERVICE

One of the basic difficulties of the small manufacturer has been inadequate research facilities to meet present-day production problems. For many years small business has been starving for the want of proper technological assistance. The lack of a single ingredient of technical information has frequently resulted in a lost or cancelled contract. Thus the Technical Advisory Service was set up to bring small manufacturers in touch with technological discoveries.

Its first mission was to help break through production bottlenecks caused by the many new managerial problems that plagued the small manufacturer when he first converted to war goods. It has helped write an exciting chapter in our national effort to speed the output of war materials and essential civilian goods.

We aim to help the small manufacturer with his problems of future production readjustment as well.

How Technical Advisory Service Functions

This Technical Advisory Service is a simple thing. But it is a gigantic connecting link between the small manufacturer with his day in and day out problems and the sources to the answers of his questions, "How can I do it?—Where can I get it?—Who does it best?" These sources include the vast treasure chest of accumulated technological information in Government agencies, as well as in the engineering colleges and universities, the technical magazines and the great storehouse of non-confidential information in the laboratories of industry.

Through the Technical Advisory Service, a California manufacturer was furnished with the results of world-wide research on metals best suited for plates to be used in connection with brain surgery. This manufacturer, with great talent of his own, has been helped to break ground on a new "infant industry." His plates and sutures are already helping to rebuild war casualties shattered by Axis bombs.

The manager of a Minneapolis firm called up in a dither. His plant had a contract to turn out ammunition lockers for Coast Guard ships but he

couldn't find a vitally needed cement to make rubber cleave to galvanized iron. If he didn't find it quickly he'd fail to meet his war-imposed timetable. We told him *where to get it*.

Rejections due to rust spots were cutting down the output of smoke-signal canisters for the armed services. The California manufacturer making them had to find a way out or give the Japs a break in the Pacific. We showed him *how to do it*.

A Pennsylvania manufacturer of high-grade cutting tools faced complete production stoppage because a peculiar porosity developed suddenly in his nonferrous castings. The Technical Advisory Service presented his problem to one of the Nation's foremost industrial research laboratories. Laboratory experts told the manufacturer the exact quantity of an additional ingredient to add to his previous mix and suggested that he make a slight change in his timing. The suggestions were put into practice and the problem melted away.

A manufacturer of dart boards was called upon by General Arnold's Air Corps for greater production and accelerated delivery on a product used in training pilots. It was an eight-color job and took hours to dry. Paint suppliers told the manufacturer he was using as much drier as his paint could absorb. The Technical Advisory Service contacted a source of counsel which suggested an entirely different method of color application using printing ink. The owner of the business, in his desperation, had been negotiating for an adjacent three-story building. Slow drying meant more space. The new process gave him a more satisfactory product and he was able to operate successfully in his own plant.

Technical Advisory Service Readily Accessible to Small Business

This tremendous reservoir of technological "know-how" has cost hundreds of millions of dollars to create, but the small manufacturer has been severely handicapped in obtaining even a fraction of its usefulness. But now its benefits are being so spread out that the small manufacturer is being fertilized through it. It has been like opening the flood gates of technological irrigation to those who have been furnishing more than a third of our peacetime factory employment.

That's how simple it is—and how it works.

All the small manufacturer needs to do is to write or call any one of our field offices describing in detail his problem. We do not assume the role of advisor, nor do the Technical Consultants attempt to answer questions themselves. They always contact the best sources in the field of the problem, and unless authorized to do so, the names of the inquiring concern are not revealed.

When the answers are received, excerpts giving the pertinent material are sent to the inquirer in report form showing the sources of the information.

If further help is required, the inquiring concern deals directly with the sources supplying the information.

All are not simple problems. They run the gamut of a general "Information Please." One of the "toughies" was on the subject of urgently required technical information on hydraulic pumps. It had to do with the pattern of the pressure break-down curve between a stationary ring and a rotating disk under various conditions. There were six parts to it, but within two weeks the inquirer received reports on the subject from 17 industrial laboratories and engineering schools.

Here on short notice was produced a symposium of the nation's most expert opinion on how to break up an important industrial bottleneck. Such a swift pooling of technical knowledge represents a literally new and wartime conception of the part that a Government agency may play in our industrial society. It furnishes an unparalleled demonstration in the history of scientific and industrial cooperation in the United States.

Regional Science Advisory Committees

Assisting in patriotic and public-spirited fashion are the 65 members of our Science Advisory Committees set up in our various Regional Offices. Experts from the field of physics; and mechanical, chemical, bio-chemical, electrical, and metallurgical engineering make up these committees. They are doing a great job furnishing part-time assistance gratis in behalf of the smaller manufacturer.

These men recognize that many large organizations have research units which often are several times the size of the whole of a small enterprise. We wish there were more of them. They have libraries and analysts devoted to a study of technical developments. Through them discoveries of great importance to the economy have been made during the war. New plastics, ceramics, light metals, textile fibers, rubber substitutes, have opened broad horizons. It is essential that small enterprise not only know the potentialities of these and other materials but how to process them.

We created this Technical Advisory Service to act as a clearing house for such information for small businesses. We will contact the best knowledge in universities, research institutions, and industry so that the particular problems and interest of small plants can be solved. Our program will strengthen the free-enterprise system and tend to offset to some degree the pressure toward centralization of industry.

Small Business' Chance to Grow

The Technical Advisory Service has developed other avenues of assistance for the small manufacturer. We are now helping him to obtain the full usefulness of the 45,000 patents seized by the Alien Property Custodian for royalty-free licensing to American companies. In the last war there

was no Smaller War Plants Corporation and the small manufacturer was pretty much the forgotten man in that respect. Not so this time.

Small business has always provided one of the nation's greatest proving grounds for new ideas and new products. It is the seed bed from which big businesses frequently grow. Like a young plant, these potentially big companies frequently require a chance to get started; and through the Technical Advisory Service, we aim to see that they get that chance. When the returning veteran and the ambitious factory worker again venture into business, we aim to assist them by keeping them properly informed on new processes, new materials, and new machinery they had better know about.

V

THE VETERANS' PROGRAM

Smaller War Plants Corporation sees in the return of millions of war veterans the beginning of hundreds of thousands of small businesses. In the past 2 years there has been a *net loss* of approximately 500,000 little businesses.

This is a dangerous loss. We need at least a million new businesses—and that means the business birth rate must go up.

Soldiers Developing Capacities and Talents for Future Business Life

Our experience to date shows that a very large percentage of the service men are thinking of setting up their own independent businesses after the war.

The armed services have trained our soldiers not only for war but for their future business life. They have taken men on the farms, boys in colleges, and taught them new skills and trades. Many of them are executives of a substantial type within their own sphere in the Army or in the Navy. The young man who pilots a bomber controls the lives of a dozen men, and several hundreds of thousands of dollars of property. These men are accustomed to leadership, which they can put to valuable use in civilian life.

Smaller War Plants Will Give Practical Help—to Limit of Its Powers—to Establish Veterans in Business

Smaller War Plants Corporation is undertaking vigorously a program to aid veterans in establishing their own businesses. But not all new businesses

succeed. Under normal conditions forty per cent of small retail businesses fail during the first three years of their life. Failures in other types of enterprises are also numerous.

Many of the failures could be prevented. In many cases failure results from the lack of "know how" along a certain line. It may be ignorance of sales technique, faulty purchasing, inadequate capital or lack of technical information.

Smaller War Plants Corporation will finance businesses by direct loans or by the guarantee of the bank loans to the extent that we are authorized by law in all cases that appear to justify financial assistance, and where the likelihood of success is fairly well assured.

We can assist in locating and in financing the purchase of surplus property for the veteran.

Under our present legislative authority the Corporation can make loans only within a very narrow field. In view of the fact that veterans will want to go into many fields of endeavors, assistance may not always be possible.

Smaller War Plants Corporation, because of its experience in small business problems, is studying all possibilities of helping veterans. But one thing is certain: There must be no widespread disappointment among veterans who want to go into business.

Our Programs To Assist Veterans Are Keyed to Efforts of Other Agencies Active in This Work

All of the programs of the Corporation in behalf of the veteran are working in cooperation with the other Government agencies working on the veterans problem. These include the Veterans' Administration, the Selective Service System, the United States Employment Service, and the Office of Rehabilitation and Retraining.

But of all the many agencies interested in the veterans, the Smaller War Plants Corporation *is the only one* specifically authorized to devote its entire energies to the assistance of small business. It is the only one that deals solely with small business. It is logical, therefore, for the veteran to seek the assistance of this Corporation if he is planning a small business of his own and if that business is in production.

What We Are Doing—So Far—For the Veterans

The specific actions taken by the Corporation thus far are:

1. A Veterans' Coordinating Staff has been established in the Office of Reconversion to receive and deal with all inquiries from veterans.
2. The Regional offices of Smaller War Plants Corporation are in contact with the State Directors of Selective Service with a view to bringing before the 6,500 Selective Service Boards throughout the country the services of the Corporation. Also the Regional Directors are discussing the same problems with the State Directors of the Office of Rehabilitation and Retraining.

3. The Veterans' Information and Service Centers are being supported wholeheartedly. Smaller War Plants Corporation is being consulted regularly by such centers in several cities with respect to the problems of the individual veterans who propose to start businesses of their own. In this way the Technical Advisory Service, the lending service, and the assistance which Smaller War Plants Corporation can provide in the acquisition of surplus property are being made known to the veteran.

4. "Combat teams" are being organized throughout the field offices to appear before soldiers in hospitals and rehabilitation centers to tell the soldiers factually what can be expected. In Washington a "combat team" made up of the Chairman and three members of the staff has already been in operation. The team has found keenly interested, enthusiastic audiences. One reason for its success has been that the team does little speaking but instead spends its time actually answering questions.

Smaller War Plants Corporation Needs More Authority To Do This Job Right

The occupation, and the preoccupation, of Smaller War Plants Corporation is with and for little businesses. They must start *little*. Unless the plans for the reconversion of our soldiers to civilian industry are made now, and the facilities which they will require are made available now, we will not have done our job while they are bravely doing theirs.

We need small business. The veterans furnish a great source of new businesses and Smaller War Plants Corporation is ready to help.

VI

REGIONAL BOARDS OF GOVERNORS

Big business can come to Washington with its problems and keep highly paid representatives to further its interests. That is why some define a small business as one that has no lobbyist in Washington. The Smaller War Plants Corporation, in any event, does what it can for little business in Washington and out in the field.

In Washington, the Board of Directors and the Chairman determine general policy for the entire organization, and in accordance with the laws enacted by the Congress.

Our direct contacts with small business, however, are maintained through our field organization, our regional Boards of Governors, and our Regional Directors in charge of each Region.

The Corporation has fourteen regional and 102 district offices. This covers the country, each office being where little business can get to us. And then, all offices connect with Washington by mail, wire, phone, and occasional meeting of field people coming to the capital.

In the field, our contacts and work are vitally strengthened by the Boards of Governors. These Boards are composed of practical public-minded men, representative of both large and small business, labor, professional, and civic life of the area.

The Boards Bring Smaller War Plants Corporation Close to Small Business Problems

These Boards have a twofold purpose. First, to advise the Chairman and General Manager and the Corporation on the general problems of small business in their area. Second, to provide information directly to the businessmen in their territory about the Corporation's activities.

The Corporation has been benefited substantially by the patriotic service of these Boards. It has derived great advantages from their practical knowledge of local small business difficulties and needs, and general economic conditions in their area.

The Boards Help U. S. and Help Small Business

The close trade contacts of the individual governors are particularly valuable to the Regional Director in enabling him to help small plants within a particular industry.

They aid in inducing large prime contractors to subcontract work to small businesses. They have done splendid missionary work in this and other aspects of the Smaller War Plants Corporation program. They contact local interests directly, address business and civic groups, and participate on behalf of Smaller War Plants Corporation in local committees on various war-time problems. This is the best publicity possible, because it comes from local, practical men.

Individual members have contributed their specialized knowledge to special phases of the Corporation's work. Recently, one member testified before a Congressional Committee on the effect of taxes on small business. Another member gave expert merchandising guidance in the development of the Corporation's plans for performing its duties under the Surplus Property Act.

Organization of the Boards

The Regional Director and the Chairman of the Regional Board of Governors work out their own organization.

In regions where it is possible, the Boards meet regularly and review the activities of the Corporation. Many of the Boards have set up committees, each one of which is headed by a Governor who is a specialist in that particu-

lar line of activity or who has a particular interest in the work of the subcommittee. Committees on distribution, banking, manufacturing, prime contracting, government buying, taxes, contract termination—and others—all furnish valuable, first-hand assistance.

These Local Boards Ensure Confidence in Work of Organization and Keep Corporation Conscious of Local Needs

Small business has a rough road ahead of it in the reconversion period. This we all know. No national plan can succeed unless it is based on confidence of the people. It must be an outgrowth of local needs. The small business man, during reconversion, expects practical, sensible assistance. We feel that with the help of the men who make up the Boards of Governors, and through a well-developed field organization, we can reach the small businessman whatever his business may be and wherever his business is located.

VII

CONTRACTS PLACED WITH SMALL PLANTS

The volume of war production was maintained in October and November at approximately the level of September. Not only has the line been held on current production but cut-backs of scheduled production have been kept to a minimum.

The attention of production officials was centered on the critical "must" programs which have been stepped up to meet increased demands by our fighting forces. Members of the engineering staff of the Smaller War Plants Corporation have been actively reviewing the plant, equipment, and work load of small manufacturing establishments to locate every available facility suited for production in any phase of the critical programs.

This activity has resulted in an accelerated rate of contract placement with small plants in the latter part of November which promises to continue until the present production crisis has passed. For the two months, October and November, small plants received 6,826 prime contracts and sub-contracts, which were placed with the direct assistance of the Smaller War Plants Corporation. These were valued at \$367 million.

Two out of every three of the contracts placed during the two months, and forty percent of their total dollar value, went to plants employing less than 100 wage earners. This indicates that the Smaller War Plants Corporation continues to be successful in assisting the smaller manufacturers.

NUMBER AND VALUE OF PRIME CONTRACTS AWARDED WITH THE
ASSISTANCE OF SMALLER WAR PLANTS CORPORATION
NOVEMBER, 1942 — NOVEMBER, 1944

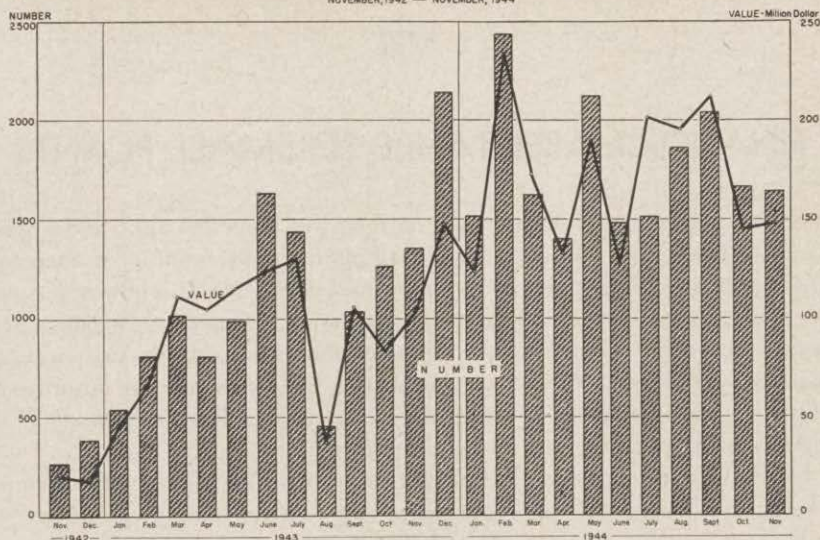


CHART 1

NUMBER AND VALUE OF SUBCONTRACTS AWARDED WITH THE
ASSISTANCE OF SMALLER WAR PLANTS CORPORATION
NOVEMBER, 1942 — NOVEMBER, 1944

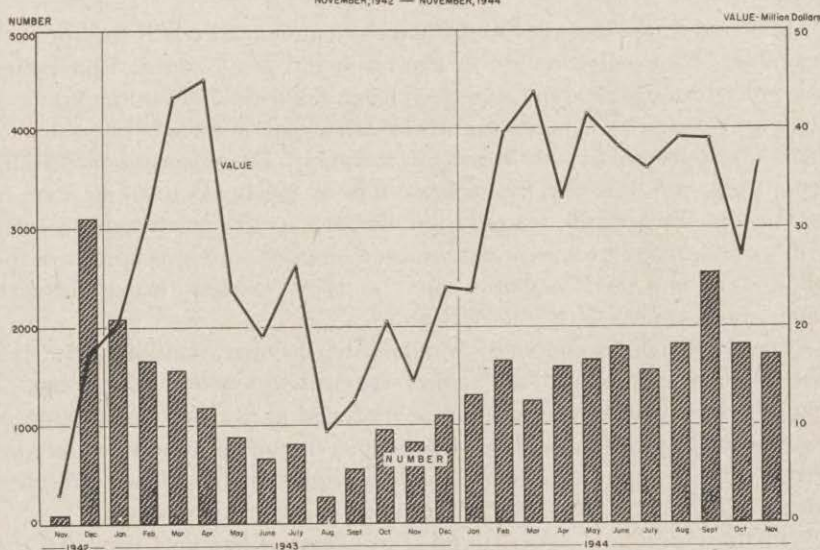


CHART 2

VIII

FINANCIAL ASSISTANCE TO SMALL PLANTS

During October and November, the Board of Directors approved applications for financial assistance from small plants for \$45 million, an increase of \$5 million over the previous two months. This amount might well have been greater except that present disbursements are made only from sums repaid on earlier loans. The original capitalization of the Corporation has been entirely disbursed or earmarked for loans already approved. However, on December 1, 1944, the Congress voted an additional \$200 million to the capital funds of the Corporation.

In recent months there has been an increase in applications from companies whose successful operations have enabled them to repay past borrowings from the Corporation. Most of the early loans were for production purposes, for the purchase of machinery, to obtain raw materials, and to meet pay-roll requirements. Later loans to these same plants are usually to provide working capital.

Cooperation With Banks

The Corporation does not make loans if commercial credit facilities are available. Bank participation in loans is urged at all times. Our policy and procedure in this connection have been discussed fully in the previous Bimonthly Report. At present, banks take part in nearly one-third of the loans approved by the Board of Directors. There are other encouraging signs that this effective cooperation of the banks may increase in the future. Frequently, Corporation officials have been invited to confer with local banking groups in determining policies and procedures to be followed in new loan activities such as the Veterans' loans provided under the so-called G. I. Bill of Rights.

As bank officials become more familiar with the operations of the Smaller War Plants Corporation, they realize that absolutely no competition is involved and that the Corporation is interested in assisting small banks as much as other small business. Many plants unable to obtain commercial credit before being granted a loan by the Corporation have now established adequate lines of credit as regular customers of commercial banks.

With the additional capital funds the Congress has now provided, the Corporation will continue the loan activities authorized by its basic act in furthering war production and essential civilian production. Also, recent legislation will extend the lending activities to loans secured by terminated

war contracts (interim financing), and loans to assist small businesses in obtaining surplus war property. Proposed plans for these two types of loans have been studied by the Board of Directors and lending procedures are being formulated.

VALUE OF LOAN APPLICATIONS FILED WITH SWPC AND VALUE OF LOANS AUTHORIZED BY THE BOARD OF DIRECTORS
SEPTEMBER, 1942- NOVEMBER, 1944

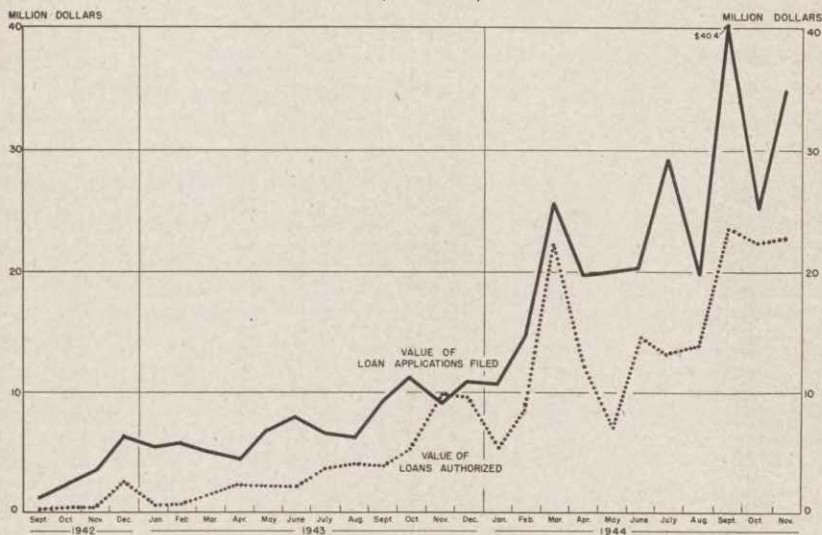


CHART 3

VALUE OF APPLICATIONS FOR EQUIPMENT LEASES FILED WITH SWPC AND VALUE OF EQUIPMENT LEASES AUTHORIZED BY THE BOARD OF DIRECTORS
SEPTEMBER, 1942- NOVEMBER, 1944



CHART 4

EXHIBITS

EXHIBIT I. *Regional distribution of prime and subcontracts awarded with the assistance¹ of Smaller War Plants Corporation reported in October and November 1944*

DISTRIBUTION BY REGION

Region	Prime contracts				Subcontracts			
	Number	Percent of total	Value	Percent of total	Number	Percent of total	Value	Percent of total
1. Boston	415	12.5	\$30,928,743	10.5	400	11.4	\$7,620,518	12.5
2. New York	469	14.2	38,384,719	13.1	122	3.5	1,667,312	2.7
3. Philadelphia	410	12.4	38,647,186	13.2	140	4.0	1,777,085	2.9
4. Atlanta	166	5.0	18,092,233	6.2	32	.9	599,132	1.0
5. Cleveland	273	8.2	32,179,282	11.0	567	16.1	11,155,565	18.2
6. Chicago	470	14.2	50,621,529	17.2	223	6.3	8,111,205	13.2
7. Kansas City	248	7.5	18,757,207	6.4	492	14.0	5,440,188	8.9
8. Dallas	146	4.4	18,528,142	6.3	158	4.5	2,107,032	3.4
9. Denver	122	3.7	1,657,289	.6	40	1.1	152,771	.2
10. San Francisco	170	5.1	6,821,928	2.3	97	2.8	1,425,852	2.3
11. Detroit	190	5.7	14,266,945	4.8	479	13.6	15,517,994	25.3
12. Minneapolis	58	1.8	9,041,526	3.1	24	.7	1,104,660	1.8
13. Seattle	108	3.3	4,957,905	1.7	575	16.4	1,633,333	2.7
14. Los Angeles	67	2.0	10,573,129	3.6	165	4.7	2,979,632	4.9
Total	3,312	100.0	293,457,763	100.0	3,514	100.0	61,292,279	100.0

¹ Includes 187 prime contracts valued at \$17,670,772 and 142 subcontracts valued at \$6,445,724 awarded with concurrence of Smaller War Plants Corporation.

EXHIBIT II. *Distribution by size of plant of prime and subcontracts awarded with the assistance¹ of Smaller War Plants Corporation reported in October and November 1944*

DISTRIBUTION BY SIZE OF PLANT

Size of plant (measured by average number of wage earners for most recent months reported)	Prime contracts				Subcontracts			
	Number	Percent of total	Value	Percent of total	Number	Percent of total	Value	Percent of total
1 to 49	1,171	35.4	\$46,940,471	16.0	2,071	58.9	\$16,398,321	26.8
50 to 99	717	21.6	54,520,516	18.6	499	14.2	12,828,215	20.9
100 to 249	859	25.9	103,346,482	35.2	682	19.4	19,432,321	31.7
250 to 499	549	16.6	86,210,112	29.4	255	7.3	12,338,266	20.1
500 and over	16	.5	2,440,182	.8	7	.2	295,156	.5
Total	3,312	100.0	293,457,763	100.0	3,514	100.0	61,292,279	100.0

¹ Includes 187 prime contracts valued at \$17,670,772 and 142 subcontracts valued at \$6,445,724 awarded with concurrence of Smaller War Plants Corporation.

EXHIBIT III. *Number and dollar value of contracts awarded by Government procurement agencies, shown by months*¹

[Value of contracts shown in thousands of dollars]

Procurement agency	Total contracts		Under 100 wage earners		Under 500 wage earners	
	Number	Value	Percent of number	Percent of value	Percent of number	Percent of value
ARMY						
1942:	<i>100 per-</i>	<i>cent</i>				
November to December.	65, 382	\$6,575,890	45. 9	5. 1	67. 9	14. 0
1943:						
January to December . . .	241, 531	35,329,396	36. 7	3. 5	62. 8	12. 6
1944:						
January	12, 702	1, 571, 806	30. 5	5. 6	60. 4	18. 6
February	12, 081	2, 498, 926	30. 2	3. 2	58. 9	10. 5
March	13, 762	1, 826, 353	31. 6	4. 8	60. 6	18. 9
April	14, 472	2, 327, 565	33. 5	4. 8	62. 1	18. 0
May	16, 066	1, 784, 979	30. 8	6. 2	60. 2	23. 6
June	14, 985	3, 151, 214	26. 4	3. 9	59. 1	18. 5
July	12, 028	2, 349, 366	27. 1	5. 1	59. 4	16. 9
August	15, 643	1, 843, 098	28. 7	6. 6	60. 3	23. 7
September	12, 765	1, 690, 050	26. 5	7. 0	57. 0	25. 8
October	12, 735	1, 881, 402	29. 3	8. 1	59. 1	22. 0
NAVY						
1943:						
April to December	131, 359	11,281,740	26. 6	1. 8	48. 4	8. 5
1944:						
January	18, 441	1, 852, 882	29. 0	1. 2	53. 0	6. 0
February	18, 220	1, 044, 832	28. 5	2. 0	51. 6	8. 0
March	19, 920	628, 576	28. 4	3. 8	50. 9	16. 8
April	20, 351	1, 354, 755	26. 4	2. 7	48. 8	5. 6
May	19, 813	1, 646, 911	25. 2	1. 8	48. 4	7. 3
June	22, 522	1, 080, 599	27. 6	5. 5	51. 5	15. 5
July	18, 556	1, 015, 014	30. 0	4. 0	54. 8	12. 3
August	19, 734	543, 281	24. 7	6. 5	49. 6	22. 1
September	26, 873	317, 752	28. 1	10. 7	54. 6	33. 3
October	15, 389	304, 284	33. 7	10. 9	58. 8	32. 8
MARITIME COMMISSION						
1943:						
January to December . . .	5, 022	2, 790, 889	25. 5	4. 1	49. 0	11. 1
1944:						
January	473	69, 726	22. 2	9. 8	38. 1	19. 0
February	282	195, 503	25. 5	5. 2	44. 7	11. 9
March	421	58, 555	26. 6	13. 6	43. 5	26. 9
April	457	72, 804	30. 6	22. 5	55. 1	40. 7
May ²						
June ²						

See footnotes at end of table on following page.

EXHIBIT III. *Number and dollar value of contracts awarded by Government procurement agencies, shown by months*¹—Continued

[Value of contracts shown in thousands of dollars]

Procurement agency	Total contracts		Under 100 wage earners		Under 500 wage earners	
	Number	Value	Percent of number	Percent of value	Percent of number	Percent of value
DEPARTMENT OF INTERIOR	<i>100 per- cent</i>	<i>100 per- cent</i>				
1944:						
February.....	25	1, 034	(2)	(2)	(2)	(2)
March.....	60	2, 803	(2)	(2)	(2)	(2)
April.....	43	776	(2)	(2)	(2)	(2)
May.....	61	1, 531	(2)	(2)	(2)	(2)
June.....	70	1, 379	(2)	(2)	(2)	(2)
July.....	52	185	(2)	(2)	(2)	(2)
August.....	69	2, 166	(2)	(2)	(2)	(2)
September.....	76	1, 486	(2)	(2)	(2)	(2)
FEDERAL PUBLIC HOUSING AUTHORITY						
1944:						
February-March.....	36	406	(2)	(2)	(2)	(2)
CIVIL AERONAUTICS AD- MINISTRATION						
1944:						
January-March.....	17	2, 100	17. 6	2. 1	64. 7	77. 6
April-May.....	12	189	16. 7	13. 8	83. 3	79. 4
June-July.....	16	564	18. 8	8. 0	56. 3	23. 3
August-September.....	10	476	20. 0	18. 5	60. 0	73. 1
PANAMA CANAL						
1944:						
February-March.....	20	278	20. 0	19. 1	25. 0	23. 1
April-May.....	17	246	23. 5	19. 1	29. 4	23. 6
June-July.....	17	199	29. 4	26. 1	58. 8	45. 7
August-September.....	21	437	33. 3	16. 7	38. 1	19. 0
LEND LEASE						
1944:						
February.....	1, 532	76, 253	17. 1	5. 7	35. 2	13. 3
March.....	2, 217	73, 619	18. 2	5. 4	36. 4	14. 7
April.....	1, 634	88, 079	16. 7	4. 7	34. 6	14. 5
May.....	1, 984	78, 825	18. 8	5. 5	35. 1	16. 7
June.....	2, 040	123, 800	17. 8	4. 3	36. 4	15. 0
July.....	1, 865	95, 047	22. 1	7. 2	40. 9	20. 0
August.....	1, 733	105, 885	20. 2	8. 7	41. 9	31. 7
September.....	1, 935	237, 526	19. 8	5. 0	40. 2	16. 3

¹ Data shown for the Army, Navy, and Maritime Commission are limited to contracts of \$10,000 or more and those of the C. A. A. and Panama Canal are limited to contracts of \$5,000 or more.

² Full data not available for these months.

APPENDIX

NEW POWERS OF SMALLER WAR PLANTS CORPORATION

The Congress has conferred new powers on the Smaller War Plants Corporation in each of the three reconversion Acts. These powers go considerably beyond those conferred on the Corporation by Public Law 603, under which it was established for the purpose of assisting in war and essential civilian production.

CONTRACT SETTLEMENT ACT

The various powers and responsibilities conferred by the Act on any Government agency are subject to orders and regulations prescribed by the Director.

Many of these powers and responsibilities are conferred on contracting agencies generally, of which Smaller War Plants Corporation is one. Included is the responsibility or power—

1. To provide war contractors having termination claims, pending their settlement, with adequate *interim financing* within thirty days after application.

2. To provide war contractors with speedy and *fair compensation* for the termination of any war contract. Such fair compensation for the termination of subcontracts (with which Smaller War Plants Corporation is particularly concerned) shall be based on the same principles as compensation for the termination of prime contracts.

3. To settle all or any part of any termination claim under any war contract by negotiation and agreement with the war contractor.

4. Or, where agreement is impossible, to dispose of such claim by formal determination and computation. This is to be done, ordinarily, according to a specified list of permissive and prohibited items of cost. The claimant may take an appeal.

5. To settle termination claims of subcontractors directly, to the extent that it deems such action necessary or desirable for the expeditious and equitable settlement of such claims.

6. To enter into contracts with a Federal Reserve Bank or other public or private financing institution, guaranteeing against loss on loans or commitments made on termination claims.

7. To lend its assistance in connection with the removal and storage of termination inventories.

Special Powers

The Act specifically provides that the Director shall collaborate with Smaller War Plants Corporation in protecting the interests of smaller war contractors in obtaining fair and expeditious termination settlements and interim financing. The Act also provides as follows:

The Smaller War Plants Corporation is hereby directed—(1) to disseminate information among small business concerns with respect to interim financing, termination settlements, removal and storage of termination inventories pursuant to the provisions of this Act and the regulations of the Director; and

(2) to assist small business concerns in connection with the securing of interim financing and the preparation of applications for such interim financing, the effecting of termination settlements, and the removal and storage of termination inventories, and to make interim loans and guaranties, in order to assure that small business concerns receive fair and equitable treatment from prime contractors and intermediate subcontractors in connection with the termination of war contracts.

SURPLUS PROPERTY ACT

There is a special "*Small Business*" section in this Act which expressly imposed on Smaller War Plants Corporation several new responsibilities:

1. The Corporation is authorized to make or guarantee loans to small business enterprises in connection with the acquisition, conversion, and operation of plants and facilities, which are surplus property.

The Corporation is also authorized, in cooperation with the disposal agencies, to arrange for sales of surplus property to small business concerns on credit or time bases.

2. The Corporation is given the power to purchase any surplus property for resale, subject to regulations of the Board, to small business, when in the Corporation's judgment such disposition is required to protect small business. The transfer of such surplus property to the Corporation shall be given priority over other disposals provided for in the Act.

3. The Corporation is authorized and directed to consult with small business to obtain full information concerning the needs of small business for surplus property.

4. The Corporation is specifically charged with responsibility for the following: (a) Cooperating with the Board and the owning and disposal agencies. (b) Making surveys from time to time. (c) Bringing to the attention of the agencies and the Board the needs and requirements of small business. (d) Bringing to their attention any cases of discrimination against small business in the purchase or disposal of surplus property.

WAR MOBILIZATION AND RECONVERSION ACT

This Act also expressly imposes new responsibilities on the Corporation.

1. Whenever an executive agency allocates available materials for the production of items for non-war use, it must make available a percentage of such materials for the exclusive use by small plants for the production of such items. *Such percentage* shall be determined after giving full consideration to the claims presented by the *Chairman of the Board of Smaller War Plants Corporation*, and shall be fair and equitable.

2. In allocating among small plants the materials thus set aside, the executive agency shall establish criteria, standards, quotas, schedules, or other conditioning factors. These shall be established after *consultation with the Chairman of the Board of Directors of the Smaller War Plants Corporation*.

3. A small plant means any small business concern engaged primarily in production or manufacturing either employing 250 wage earners or less, or it may mean a plant coming within such other categories as may be established by the head of such executive agency in *consultation with the Chairman of the Board of Directors of the Smaller War Plants Corporation*.

WAR VETERANS

1. The Corporation, under its general powers, already has the authority to make small business loans or guarantees to veterans for the purpose of war or essential civilian production. Veterans have been requesting loans from it for the purpose of setting up service businesses, and professional enterprises. A statutory amendment would be necessary to authorize the Corporation to make loans for any or all of these additional purposes. Any such *amendment* could be limited to veterans or could be for the benefit of non-veterans as well.

2. The Corporation, under the general powers conferred by the Surplus Property Act, has the authority to make small business loans to veterans in acquiring surplus plants and facilities. It also has the authority to purchase, with a preference, surplus property, subject to regulations of the Board, for resale to small business, including veterans. The Surplus Property Act also provides that the Board may issue regulations affording veterans suitable preference. It is therefore quite possible that the Board might issue a regulation authorizing the Corporation to purchase surplus property for resale to veterans exclusively.

3. The G. I. Bill of Rights provides that a veteran may obtain a guarantee from the Veterans' Administration, not to exceed \$2,000 or 50 percent of any loan, but the loan itself must be obtained elsewhere. The Smaller War Plants Corporation may make this loan, if within its powers. Provision is made in the G. I. Bill of Rights for cooperation, with the Veterans' Administration, of other Governmental agencies willing to make such loans or to render assistance in passing on applications for a guarantee. Such cooperation between the Veterans' Administration and Smaller War

Plants Corporation may be worked out by *joint regulations*, or other cooperative arrangement.

FINANCING

Under the Contract Settlement Act, funds may, by agreement, be transferred from other agencies, to Smaller War Plants Corporation, as a contracting agency.

There has also been a proposal that Smaller War Plants Corporation be authorized to insure private banking institutions against loss on small business loans. This would require additional appropriations.

