CANADIAN PROPERTIES

MARCH 2 (calendar day, MARCH 3), 1927.—Ordered to be printed

Mr. MEANS, from the Committee on Claims, submitted the following

REPORT

[To accompany H. R. 16155]

The Committee on Claims, to whom was referred the bill (H. R. 16155) for the validation of the acquisition of Canadian properties by the War Department and for the relief of certain disbursing officers for payments made thereon, having considered the same, report favorably thereon with the recommendation that the bill do pass without amendments.

The facts are fully set forth in House Report No. 1835, sixty-ninth Congress, second session, which is appended hereto and made a part of this report.

[House Report No. 1835, Sixty-ninth Congress second session]

The Committee on War Claims, to whom was referred the bill (H. R. 16155) entitled “A bill for the validation of the acquisition of Canadian properties by the War Department and for the relief of certain disbursing officers for payments made thereon,” having considered the same, report thereon with a recommendation that it do pass without amendment.

The facts are fully set forth in a letter from the Secretary of War addressed to the chairman Committee on War Claims, under date of December 30, 1926, which is appended hereto and made a part of this report.

WAR DEPARTMENT,
Washington, December 30, 1926.

HON. JAMES G. STRONG,
Chairman Committee on War Claims,
House of Representatives.

DEAR MR. STRONG: As the manufacturers in the United States could not produce shells fast enough to meet the military requirements in the World War, particularly in 1918, it was necessary to get manufacturers of allied countries to make large quantities of shells and other munitions, and on June 6, 1918, a three-year contract was entered into with the Peter Lyall & Sons Construction Co. (Ltd.), Montreal, Canada, for the manufacture of four hundred and fifty thousand 155-millimeter high-explosive shells. At the time the contract was...
made that company represented that its existing facilities were inadequate to manufacture the quantity of shells the United States required within the time specified in the contract, and in accordance with the practice then existing in this country to assist the manufacturers in enlarging their plant facilities, the United States agreed to assist the Peter Lyall & Sons Construction Co. (Ltd.), which company among other things had to lease certain additional ground upon which to construct the additional plant facilities. The leased land and buildings constructed thereon under Article I of the contract were estimated to cost approximately $1,369,749, and supplemental agreements were made from time to time, depending on the necessity arising in connection with the completion of the contract.

Contracts were also entered into with other Canadian companies, including the Motor Trucks Co. (Ltd.), Brantford, Canada, and the Munitions & Machinery Co. (Ltd.), Lachine, Canada, for the manufacture of shells for the United States during the World War.

After the armistice a settlement was entered into with the Peter Lyall & Sons Construction Co. (Ltd.), on March 19, 1919, canceling the original contract of June 6, 1918. Inasmuch as these buildings were erected on leased land, they either had to be removed or steps taken to acquire the land. As the buildings would have little salvage value if removed, it was considered to the best interest of this Government to acquire the land, and accordingly on April 1, 1919, an agreement was entered into with the Peter Lyall & Sons Construction Co. (Ltd.), granting the United States an option to take over their rights under their lease with the Montreal City Land Co. upon the conditions (a) the option to be exercised at any time up to and including June 1, 1919; and (b) if exercised the United States to take over all the rights and obligations of the contractor under the agreement of June 6, 1918, “including the payment of rent and other charges from the 31st day of March, 1919.” By the exercising of its option the United States assumed the obligations of the Peter Lyall & Sons Construction Co. (Ltd.), which involved expenditures for (a) payment of rental at the rate of $17,673.66 per annum during the term of the option; (b) payment of $14,728.05 on May 1, 1919, and at the expiration of every six months thereafter during the term of the option; and (c) payment of taxes, etc., from March 31, 1919. On August 1, 1919, a supplemental contract was concluded with the firm under which they were allowed the sum of $761,846.57 on account of their original claim for buildings. The cash investment of the United States in the plant for land and buildings, exclusive of taxes, interest, etc., is $1,056,407.57.

The imperial munitions board also effected settlements with the other Canadian contractors whereby the original contracts were canceled and the buildings awarded to the United States, and as all the buildings were on leased ground they had to be either removed or steps taken to acquire the land. The Canadian law prohibits the holding of titles to land in Canada by foreign governments, and it was necessary to have the land on which the manufacturing buildings were erected transferred to trustees, to hold in trust for the United States until the buildings could be sold. In view of the large sums of money the United States paid Canadian contractors for the construction of additional buildings and the installation of increased manufacturing facilities in Canada, and as these buildings and installations would have but little salvage value if they had to be removed or could not be sold together with the land, it was manifestly to the best interest of the Government to acquire an interest in the land through trustees and then dispose of the complete plants.

All of the properties in question have been sold, the plant of the Peter Lyall & Sons Construction Co. (Ltd.) on a cash basis and the Munitions & Machinery Co. (Ltd.) and the Motor Trucks Co. (Ltd.) on a partial-payment basis, and the proceeds as received deposited with the Treasurer of the United States.

Payments amounting to $315,490.38 by disbursing officers of the United States, for the purchase price of the land and payment of taxes, assessments, services, etc., have been disallowed by the Comptroller General on the ground that the authority to acquire and hold real estate in a foreign country can not be rested upon an appropriation in general terms, and he suggested that the Secretary of War present the matter to Congress for such disposition as it may deem advisable.

It is therefore requested that legislation substantially as follows, validating the transactions of the War Department and the payments made by disbursing
officers in connection therewith, be introduced and enacted into law, no appro-
priation being required:

A BILL For the validation of the acquisition of Canadian properties by the War Department and for
the relief of certain disbursing officers for payments made thereon

"Be it enacted by the Senate and House of Representatives of the United States of
America in Congress assembled, That the action by the War Department for the
acquisition, through trustees, of an interest in and title to certain tracts of land
on which to erect additional manufacturing buildings and facilities to increase
the production of shells under contracts entered into with certain Canadian con-
tractors for the manufacture of shells and other munitions during the World
War is hereby ratified and validated, and that the Comptroller General of the
United States is hereby authorized and directed to allow credit in the accounts of
the following officers in the amounts stated which now stand as disallowances on
the books of the General Accounting Office: Capt. J. Q. A. Brett, United States
Army (now major, retired), $207,223.66; Donald Findley, formerly captain,
Ordnance Department, $14,510.39; Capt. Carl Halla, Finance Department
(now major), $65,068.12; Maj. E. O. Hopkins, Quartermaster Corps (now major,
Finance Department), $14,728.05; Weston Patterson, formerly first lieutenant,
Finance Department, $13,960.16; in all, $315,490.38."

Legislation for the validation of the payments in question and relief of certain
disbursing officers was transmitted to the Speaker, House of Representatives,
under date of December 9, 1924, and also to the chairman Committee on Claims,
House of Representatives, under date of January 30, 1926, but so far as is known
no action has been taken thereon, and as the legislation covers war transactions
it is thought that it properly belongs to your committee.

If any additional information from the War Department is desired, I shall be
pleased to furnish it.

If the Committee on War Claims wishes to have hearings upon the proposed
legislation, I have designated Maj. M. D. Wheeler, Quartermaster Corps, to
appear before your committee.

The proposed legislation has been submitted to the Director of the Bureau
of the Budget, who advises that same is not in conflict with the financial pro-
gram of the President.

Similar letter has been addressed to the Committee on Claims, United States
Senate.

Sincerely yours,

Dwight F. Davis, Secretary of War.