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1

June 12, 1940

12:50 p.m.

Present:

Mr. Purvis
Mr. Young
Mrs. Klotz

HM, Jr: I am simply delighted because I talked to Joe Kennedy this morning and I got from him that this thing was in Montreal with some mysterious courier.

Mr. Purvis: I got it for you. Really amusing! I might as well tell you now.

In the first place, I got a telegram from Lord Beaverbrook two days ago saying I have appointed your friend, Maurice Wilson as coordinator for Aircraft in Canada. Maurice Wilson is excellent. He's one of our fastest workers. So when you told me you wanted those planes, I suddenly thought of the new coordinator in Canada and I telephoned Wilson. All I can say is they are on the way to you by express.

HM, Jr: Where were they?

Mr. Purvis: He had heard from Lord Beaverbrook the day before, but they were not addressed to you until I got them. They were addressed to Olley. But they are on the way to you.

HM, Jr: That's funny. Joe Kennedy told me there was a special courier who would deliver the letter with these to the President of the United States. Not to me, but to the President. He said they would be delivered personally to the President.

Mr. Purvis: They are on the way. I am sorry if I have short-circuited

HM, Jr: No. The President and I are one.

Mr. Purvis: I know you are. They are on the way addressed to you. Maurice Wilson has them on the way to you. They weigh a ton and a half.

HM, Jr: Marvelous! They can go in this room.

Mr. Purvis: I also telephoned Olley. He was very frank with me. My belief is that Olley is perfectly correct, but he has run into

(Note: The Secretary interrupted to dictate for the record the following: What I told Mr. Purvis on the phone last night was that I was afraid that Olley had gone behind my back and was trying to get the planes direct and Mead told me that Olley had been told by the British Government that it was between Governments. I told that to Mr. Purvis because it upset me.)

(Following this statement of the Secretary's, Mr. Purvis asked that his further remarks be off the record.)

* * *

HM, Jr: (Dictating) I want to send this cable to Ambassador Kennedy. "I would greatly appreciate if you would see Lord Beaverbrook as soon as possible and inform him that Arthur Purvis and I would very much like to know when the Rolls Royce Griffin engine really comes into production and the present status of the tests. Secure for me as much information as possible about the Griffin engine as naturally in the interests of our own Government and the Allies we do not want to have the Ford Company start production of the Merlin 20 engine if it will be shortly superseded by a better engine."

You see, the thing I ran into this morning, Kennedy tells me to make the price. "They leave it to you as to the license." So I told them -- what I told Ford, \$450,000. I was making it tops. I told Kennedy it would be much better if we set aside a lump sum appropriation which would permit the United

a lump sum appropriation which would permit the United States Government to license anybody that we wanted.

Mr. Purvis: That would probably be the way. I don't know how they go with engines. If you want any information on that kind of thing, I will get it.

HM, Jr: I understand from Mead that it's around \$200.00. I wanted to be fair with Rolls Royce and made it \$250.00. They left it to me. Mead said \$200.00 and I said \$250.00.

Mr. Purvis: One can always reduce rather than go up.

HM, Jr: Inasmuch as the English Government had put it up to me, I wanted to err on the fat side rather than the lean.

Mr. Purvis: It's not

HM, Jr: You see, in the cable Lord Beaverbrook left it to me, which is very difficult.

Mr. Purvis: Which is very difficult, very sporting and almost clever.

HM, Jr: Well, you know what's happening. I am having the Army and Navy at 3 o'clock. You will be in the offing by 3:15. I am very much amused. They are already releasing stuff on the ticker. The Army has released 93. Also equipment for the construction, full speed, of smokeless powder. They have released all that.

That Pearson and Allen story did not do any harm. I wonder where they got it!

oOo-oOo

June 12, 1940.

MEMORANDUM FOR THE SECRETARY:

Mr. Purvis called me at 10:15 this morning and gave me the following information:

"Regarding the Rolls Royce plans, I have managed to find them through the help of my friend, Maurice Wilson, Chairman of the Royal Bank of Canada, who has just been appointed by Lord Beaverbrook as air-craft coordinator for Canada to cooperate with me. Maurice Wilson has this morning shipped the plans by fastest express route (they weigh a ton or so) directly addressed to Secretary Morgenthau at the Treasury.

"Maurice Wilson is a quick actor and this thing will be done. I have therefore told Lord Lothian not to worry any more about it."

A.E.M.

June 12, 1940

My dear Admiral Noyes:

Will you please transmit for me the following message to Ambassador Kennedy via most secret naval code:

QUOTE - I would greatly appreciate if you would see Lord Beaverbrook as soon as possible and inform him that Arthur Purvis and I would very much like to know when the Rolls Royce Griffin engine really comes into production and the present status of the tests. Secure for me as much information as possible about the Griffin engine as naturally in the interests of our own government and the Allies we would not want to have the Ford Company start production of the Merlin 20 engine if it will be shortly superseded by a better engine. - UNQUOTE

Yours sincerely,

H. H. Merghenthan, Jr.

Rear Admiral Leigh Noyes, U.S.N.,
 Director of Naval Communications,
 Room 2622, Navy Building,
 Washington, D.C.

Sent over by Secret Service

June 12, 1940

My dear Admiral Noyes:

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Yours sincerely,

H. H. Morgenthau, Jr.

Rear Admiral Leigh Noyes, U.S.N.,
Director of Naval Communications,
Room 2622, Navy Building,
Washington, D.C.

Via Secret Service

June 12, 1940

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Yours sincerely,

H. Morgenthau, Jr.

Rear Admiral Leigh Noyes, U.S.N.,
Director of Naval Communications,
Room 2622, Navy Building,
Washington, D.C.

Via Secret Service

THE ROYAL BANK OF CANADA

cu

MORRIS W. WILSON
President & Managing Director

Head Office
MONTREAL

June 12, 1940.

Dear Mr. Morgenthau:

I beg to advise you that in accordance with my telephone conversation with Mr. Arthur B. Purvis this morning, and a previous telephone conversation with London, I have to-day sent you by Canadian National Express, prepaid, in bond, five boxes containing plans and blue-prints.

Yours very truly,


Agent,
British Ministry of Aircraft Production

Hon. Henry Morgenthau, Jr.,
Secretary of Treasury,
Washington, D. C.

WAR DEPARTMENT

WASHINGTON

June 12, 1940

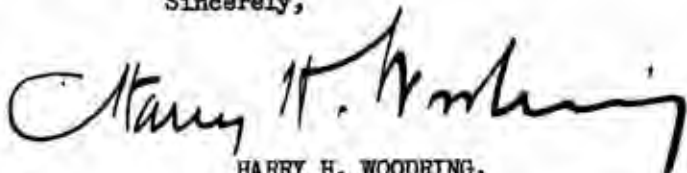
My dear Mr. Secretary:

Receipt is acknowledged of your letter of June 10, enclosing for my information a photostatic copy of a memorandum of June 6, addressed to you by the President, relieving you of the responsibility of clearing contracts for air craft and engines as required in the President's memorandum of May 24, 1940.

In accordance with the President's instructions the purchases referred to will hereafter be cleared through Commissioner Knudsen of The Advisory Commission To The Council of National Defense.

Your reference to the able assistance rendered by General Brett is appreciated and I desire also to express my appreciation of the cooperation rendered by you personally and your assistants to this department in connection with the clearing of these contracts.

Sincerely,



HARRY H. WOODRING,
Secretary of War.

The Honorable

The Secretary of the Treasury.

June 12, 1940

My dear Mr. Secretary:

Receipt is acknowledged of your letter of June 10, enclosing for my information a photostatic copy of a memorandum of June 6, addressed to you by the President, relieving you of the responsibility of clearing contracts for air craft and engines as required in the President's memorandum of May 24, 1940.

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Your reference to the able assistance rendered by General Brett is appreciated and I desire also to express my appreciation of the cooperation rendered by you personally and your assistants to this department in connection with the clearing of these contracts.

Sincerely,

HARRY H. WOODRING

HARRY H. WOODRING,
Secretary of War.

The Honorable

The Secretary of the Treasury.

DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON

JUN 12 1940

My dear Mr. Secretary:

Receipt is acknowledged of your letter of May 30, 1940, expressing your appreciation for the courtesy in permitting Captain Edmund D. Almy, U. S. Navy, Commander Elmer R. Henning, U. S. Navy, and Oliver S. Warhus, Engineer, to participate in the machine tool conference held in your office on May 27, 1940.

The Navy Department is pleased to know that the information presented by these gentlemen will be of value in the development of your program.

Copies of your letter are being filed with the officers' records, and they are being informed accordingly.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Chris (Carpenter)".

Acting

The Honorable,
The Secretary of the Treasury.



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON

12 June 1940.

MEMORANDUM FOR - Assistant Secretary Gaston

Lieutenant McKay has advised me that the Secretary commented on what he believed to be excessive vibration in the new Coast Guard Lockheed plane R50-1, V-188.

Lieutenant Commander Kessler, Lieutenant Harding and Mr. Cocklin, all of the Coast Guard Aviation Engineering Section, have made a flight in this plane to investigate this reported objectionable vibration. The report of these officers is as follows:

"The consensus of opinion was that the vibration was not unusual in this type and size of plane, and is inherent in the propeller and engine installation. It is more than in the R30-1 which is a lighter plane with less engine power.

While the vibration cannot be eliminated it is possible that the noticeable effect can be reduced by mounting the Secretary's chair and desk on a thick rubber mat.

The Lockheed Company is being contacted for their opinion, upon receipt of which an effort will be made to improve the condition as far as possible."

You may be sure that every effort will be made to eliminate such of this undesirable vibration as may be practicable.

R. R. Waesche
R. R. WAESCHE.

6/13/40

11-B

Sent from Mr. Harris' office and this copy
given to me by Lt. McKay for our files.

cp to Thompson &
Foley

27-C
June 12, 1940.

Through the Bureau of the Budget
Through the Attorney General
Through the Division of the
Federal Register

My dear Mr. President:

There is respectfully submitted to you herewith for your signature, if it meets with your approval, a proposed Executive Order authorizing and directing the Secretary of the Treasury to convene annually a Coast Guard Personnel Board in accordance with the provisions of section 2 of the Act of January 12, 1938 (U.S.C., Sup. V, title 14, sec. 175b), as amended by the Act of June 6, 1940 (Public No. 556, 76th Congress).

This proposed Executive Order, if approved, will supersede Executive Order No. 7922, dated June 30, 1938, which was designed for a similar purpose prior to the amendment of the Act of January 12, 1938, by the Act of June 6, 1940. However, as the amendatory Act increases the minimum number of the members of the Personnel Board from three to five, fixes the minimum rank of such members and changes the procedure of the Board, a new Executive Order is necessary to resolve all doubts with respect to the legality of any Personnel Board which may be hereafter convened.

Approval of the Executive Order is, therefore, recommended.

Faithfully yours,

/s/ R. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

KSH:mb

cc to Thompson
cc to Foley

EXECUTIVE ORDER

DIRECTING THE SECRETARY OF THE TREASURY
TO ASSEMBLE ANNUALLY A COAST GUARD
PERSONNEL BOARD

By virtue of and pursuant to the authority vested in me by section 2 of the Act of January 12, 1938, 52 Stat. 4 (U.S.C., Sup. V, title 14, sec. 175b), as amended by the Act of June 6, 1940 (Public No. 556, 76th Congress), I hereby authorize and direct the Secretary of the Treasury to assemble annually a Coast Guard Personnel Board, as provided in said section.

Executive Order No. 7922, dated June 30, 1938, is hereby revoked.

THE WHITE HOUSE,

June , 1940.



TREASURY DEPARTMENT
WASHINGTON

June 12, 1940.

MEMORANDUM FOR THE SECRETARY:

The 180 bombs from Yorktown arrived at Montreal at 9 o'clock this morning and will be in Halifax tomorrow night.

The 570 bombs from Hawthorne will be picked up at Thorne this morning and we have requested Mr. Pelley's office to give us the same kind of service on them, which he has promised to do.

Whin

SECRET

12-A

WASHINGTON D.C.

12 JUNE 1940

FOR THE HONORABLE SECRETARY OF TREASURY
FROM MR. KENNEDY

PLANS IN MONTREAL AT THE ROYAL BANK OF CANADA HAVE BEEN ORDERED BY TELEGRAPH TO BE DELIVERED AT ONCE TO THE PRESIDENT IN WASHINGTON.

I ATTENDED A MEETING OF THE AIRCRAFT PRODUCTION COMMITTEE WHO CALLED IN IVES OF ROLLS ROYCE AND READ HIM A TELEGRAM THEY WERE SENDING TO THEIR REPRESENTATIVE IN CANADA STATING THAT THE ROLLS ROYCE PLANS WERE TO BE DELIVERED TO THE UNITED STATES GOVERNMENT AND ANY CLAIM THAT THE ROLLS ROYCE COMPANY MADE WOULD BE A MATTER FOR ADJUSTMENT BETWEEN THE BRITISH AND UNITED STATES GOVERNMENTS.

BEAVERBROOK IS OF THE OPINION AND HIS ENTIRE STAFF AGREE THAT TO ATTEMPT TO COME TO TERMS NOW WITH THE ROLLS ROYCE COMPANY WOULD LEAD TO ENDLESS NEGOTIATIONS AND YOU WOULD NEVER GET THE ENGINES STARTED. HE IS AUTHORIZED TO ADOPT THIS ABOVE PROCEDURE UNDER THE DEFENCE ACT HERE. HE IS CABLING ACCEPTANCE OF THE PROPOSITION TO BUY ^{THIRTY} ~~THIRTY~~ THREE HUNDRED ROLLS ROYCE ENGINES FROM FORD AND HE ASKED ME TO INQUIRE WHAT WAS BEING DONE ON THE AIRCRAFT THAT WAS TO BE TRADED IN AND SENT TO ENGLAND. HE HAS HEARD NOTHING DEFINITE ON THIS MATTER.

IF THIS IS NOT CLEAR PLEASE ADVISE

TOR CODEROOM 2040

June 12, 1940
2:45 p.m.

RE ALLIED PURCHASING PROGRAM

- Present:
- Mr. Young
 - Mr. Foley
 - Mr. Nelson
 - Mr. Cox
 - Mr. Woodring
 - Mr. Compton
 - General Marshall
 - General Moses
 - Major Brooks
 - Admiral Stark
 - Admiral Towers
 - Admiral Furlong
 - Admiral Spear
 - Mrs. Klotz
 - Colonel Burns

H.M.Jr: I have got to do some home work.

Young: There isn't much home work.

H.M.Jr: You mean there is an answer here?

Young: From the Army.

H.M.Jr: McReynolds is going to feel fine about this.

"Taber said those interested in national defense were 'very much disappointed' to see an announcement 'evidently from the White House that Harry Hopkins and William H. McReynolds are to be the key men in the defense program.' McReynolds, he added, has been repeatedly characterized by those who have had contact with him as the most incompetent man who has ever come before us representing a department."

- 2 -

Poor old Mac. I don't know whether he can take it. When he was over here, you see, I always protected him. I don't know who is going to protect him now.

Young: Would you like the Army original or the original?

H.M.Jr: What is the difference?

Young: This one is cleaner.

H.M.Jr: I will take this one.

Young: That is the authentic document.

H.M.Jr: How does one do this? "Field Guns and Ammunition, 500 seventy-five millimeter guns with one million two hundred fifty thousand shells." They have got that, haven't they?

Nelson: They didn't get the shells, though.

Young: They got 150 rounds per gun, which makes, including the ones they got before, 1,200 rounds.

H.M.Jr: How much is that in toto?

Young: A million five hundred thousand. They got 150 rounds per gun.

Nelson: For 500 guns.

H.M.Jr: What is 150 times 500?

Young: Seventy-five thousand.

H.M.Jr: It is not enough, is it?

Young: There he was going on the theory that on the other guns --

H.M.Jr: But that he has got nothing to do with the memorandum the President of the United States signed which said, "Release appropriate."

- 3 -

Young: I will tell you, I took it up with Major Smith and Major Brooks and did my best to pin Major Smith down as to his definition of appropriateness, and I made quite a row about it over there.

H.M.Jr: Well, under this thing, do they give anything at all? How did this thing come into my hands?

Young: I gave it to you, from Major Brooks. He brought it over personally.

H.M.Jr: Is it from General Marshall?

Young: He brought it and it is the official reply to these questions.

H.M.Jr: Well, is it from General Marshall?

Young: Yes, I would certainly say so. That was the way it was originally sent over.

H.M.Jr: Major Brooks?

Young: Via Major Brooks.

H.M.Jr: And also via Captain Young?

Young: With the approval of Colonel Cox.

H.M.Jr: June 12, 1940. Let me just see this a minute. "Small Arms and Ammunition. Spare Manufacturing Equipment." I love this thing on the ticker. Airplane items and then the Navy last. It is beautiful. Now, all I am working on is these three sheets, is that right?

Young: Yes. Now, there is one other request that they wanted unofficially and which they didn't feel like asking for outright. This other thing was one of the fifty dive bombers crashed.

H.M.Jr: And they want another one?

Young: And they want one of the other five.

- 4 -

H.M.Jr: No.

Young: Now, they have five extra at Buffalo.

H.M.Jr: Oh.

Young: Ready to go.

H.M.Jr: Oh.

Young: In case something happened before they got to Buffalo, so they would make sure they would have 50 and they wanted one of the other five. I didn't have the nerve to put it up to Admiral Stark last night.

H.M.Jr: It is picayune. There is such a thing as being too small.

Young: That is what I thought about it.

H.M.Jr: That is picayune stuff.

Young: It seemed to me it was.

H.M.Jr: Who asked you that?

Young: Purvis.

H.M.Jr: That is getting too small. Now, have they got the copy of these three sheets? What are you furnishing them this afternoon?

Young: I got copies of those three sheets and copies of the Army's reply.

H.M.Jr: But these three sheets, is everybody going to have one of these this afternoon?

Young: Yes. I have a number of copies here.

H.M.Jr: All right.

(Mr. Woodring, Mr. Compton, Colonel Burns, Admiral Spear, Admiral Furlong, and Mrs. Klotz entered the conference.)

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H.M.Jr: Phil, has Secretary Woodring got one of these sheets we are working on?

Young: I have one right here.

H.M.Jr: And one to Mr. Compton.

Woodring: Marshall is expected back any minute. He is flying back in. He was supposed to be here at two thirty. He will come over right away.

H.M.Jr: I see. Well, I wonder if Admiral Stark --

Furlong: Admiral Stark is coming.

Compton: He is on the way over. He was just following me over in the car and bringing Admiral Towers with him on this aircraft.

H.M.Jr: Oh. Do you want to start before Marshall comes?

Woodring: Well, it is so indeterminate as to what time he will get in.

H.M.Jr: Well, let's start and then we can see what - maybe we can agree on something.

On this sheet which I have here - Phil, give Mrs. Klotz one.

Young: All right.

Woodring: Say, Colonel Burns, sit over here by me, won't you?

H.M.Jr: Does this represent General Marshall's opinion?

Burns: Yes, this is what Major Brooks worked out for you last night.

H.M.Jr: "Field Guns and Ammunition: Five hundred 75 millimeter guns with 1,250,000 shells." The 500 guns, I believe, were settled yesterday, weren't they?

Burns: Yes.

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Woodring: A letter signed and gone.

H.M.Jr: That is part of the U. S. Steel contract. Then I have been reliably informed with that went 75,000 rounds of ammunition. Now, what is the chance of their getting more of the ammunition to go with the seventy-fives?

Burns: Well, that has been checked with the general staff, who did not feel that it was justified in making any further releases.

(Admiral Stark and Admiral Towers entered the conference.)

H.M.Jr: The answer is, you don't think they have got any more shells.

Burns: They have more, yes, sir. Of course, they are short now on their requirements. My understanding is that when these additional shells are granted, that they will have released twelve hundred rounds for each gun that is released.

H.M.Jr: Phil, you are my mathematician.

Young: Twelve hundred rounds for each gun. That is the ammunition and the guns including what was purchased prior to this 500?

Burns: That is right.

H.M.Jr: You mean taking the 500 --

Young: The original purchase was 395 guns and a million rounds of ammunition, is that right, and this new purchase is 500 guns and 150 rounds per gun, 75,000 rounds.

Burns: Yes.

Young: Rounding out to approximately twelve hundred rounds per gun, total.

H.M.Jr: Have they said anything today particularly about ammunition? Are they pressed for that particularly?

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Nelson: No, sir, when we put this down yesterday they had figured out a complement that they thought they ought to have. The more of that they can get, the better off they are pleased. It is a very short item.

Young: This million two hundred fifty thousand estimated for 500 guns was on the same proportion as the previous sale of a million rounds for 395 guns.

H.M.Jr: Supposing we pass this and come back.
Now, "Any number of 3" anti-aircraft or 37 millimeter anti-tank guns (either from stock or from priorities)." What is the situation on that?

Woodring: I will not be able to answer these things. That is Marshall's job.

H.M.Jr: Would you rather I would skip to the Navy?

Woodring: I think it would be better until he comes.

H.M.Jr: All right.

Woodring: Definitely.

H.M.Jr: They told me that he would be in - I understood him to say something around two o'clock and that is why I said it at three, you see.

Woodring: Well, the last I checked he was supposed to land at two thirty, and he hadn't.

H.M.Jr: Supposing I shift and go to Navy. Here he is.
(General Marshall entered the conference.)

H.M.Jr: I wonder if the General has one - well, you have got one, Burns.

Burns: Yes, sir, he has got the same thing here.

Marshall: That is what I have been doing, going over this before I came.

H.M.Jr: All we did, I was talking about the extra 500 you so graciously released yesterday and about a million and a quarter rounds, and at the moment I have passed that because I just don't know how badly they need it.

Now, "Any number of 3" anti-aircraft or 37 millimeter anti-tank guns." Is there any chance of getting those?

Marshall: None whatever.

H.M.Jr: No chance on those at all?

Marshall: Our situation there is very tragic. It would just be suicide.

H.M.Jr: You feel it would be suicide on more shells for the 75 millimeters?

Marshall: Yes.

H.M.Jr: Really?

Marshall: Yes, sir. I think our hazard there is terrific. If we go beyond the point we have, the consummation of shells being as great as it is, and our present situation in heavy gun powder, you see we have no recovery there. We have so little chance of recovery there. It isn't like heavy things. I don't think you can do that without imperiling our own situation.

H.M.Jr: Now, on the small arms and ammunition, five hundred thousand of the Lee Enfield rifles and ammunition for them. What are the chances on that?

Marshall: You might release the five hundred thousand rifles, but you are taking a hazard there. You are taking quite a hazard. On the ammunition, I do not think we can possibly release any more without directly imperiling our own defense.

H.M.Jr: But you could release some more Enfields?

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Marshall: We could release some more Enfields. I would rather not release five hundred thousand.

H.M.Jr: I think that is too large. I don't know how many we gave them before.

Young: Five hundred thousand.

H.M.Jr: And they are asking for another five hundred thousand now.

Marshall: Yes, but those rifles, you must understand, are no good to them whatever unless they have the ammunition and we cannot give them the ammunition.

H.M.Jr: That is the tight situation.

Marshall: Very tight and a very serious situation.

H.M.Jr: And the rifles are no good without the ammunition?

Marshall: Not a bit.

H.M.Jr: Nelson, you have been working on ammunition, that ball ammunition, haven't you? Have you got anything?

Nelson: Haven't found any solution for it at all, sir. They are working now with Remington to try to get additional facilities thrown in as fast as they can on the .30's.

Marshall: But you have got a problem of powder, and even if you have the facilities - if we had any powder, we could run up to eight hundred thousand rounds a day of one kind or another, but you have got to have the things where we can make it.

H.M.Jr: Are you short on the powder?

Marshall: Yes, sir.

Burns: This is small arms powder. It is different than cannon powder.

H.M.Jr: Is anything being done to --

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Marshall: We are asking for thirty million dollars for a powder plant.

H.M.Jr: You have got to wait for that?

Marshall: Yes, sir, we have got to wait for it. We can't place an order over and above the money that is now in the 1941 augmented budget, not the recent Presidential message. We can't place an order for twenty-two months. That is very serious.

H.M.Jr: Has the Navy got any -- could they help out with the ammunition for the Enfield rifles?

Furlong: We don't use that rifle. We could get 35,000 Springfield rifles, if they are interested in those.

H.M.Jr: They will take anything. Got any ammunition to go with them?

Furlong: I don't know of any ammunition. I will look into that.

Marshall: I think --

Burns: They get their ammunition from part of the Army.

Compton: We get all our small arms from the Army.

H.M.Jr: You have got 35,000 Springfield, did you say?

Furlong: Springfield. U. S. Springfield rifles, 35,000 of them.

H.M.Jr: Have you got any ammunition to go with it?

Furlong: I would have to look into that. I think not, but I will look into it.

Woodring: Would they have ammunition over there that would fit the --

Burns: Yes, it is the same ammunition.

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Furlong: Same as the Enfield.

Burns: That is right.

Woodring: I meant over in England or France.

Marshall: Oh no. Theirs is 303 and ours is 30.

H.M.Jr: Could I have an answer tomorrow morning?

Compton: Oh yes, we will get an answer right away.

Furlong: Yes.

H.M.Jr: Not doing so well today.

"Five thousand Thompson sub-machine guns or any part thereof with one million rounds of ammunition (from Army or Navy)." You don't have Thompsons, do you?

Burns: Yes, sir.

Marshall: We have a few of them. We have got a shortage of 1,200 right now.

H.M.Jr: You got eleven back.

Marshall: We needed those.

Woodring: What became of the Thompson machine guns everybody was trying to peddle around here that the Chase National had a mortgage on in New York? That should be looked into.

H.M.Jr: Have they got a mortgage on some?

Woodring: Yes. They tried to sell them.

H.M.Jr: Nelson --

Woodring: The lobbyist in Washington was around trying to sell them here a year ago.

Nelson: Yes, sir, I will look into that.

H.M.Jr: Did we get any sub-machine guns for the Navy?

Spear: We offered 426. That was all we had.

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H.M.Jr: Did we take them?

Spear: Not yet, sir. There has been a complication on the transport, I believe.

Young: No legal release from the Army yet.

Spear: They are a recent requirement. We are ready to transfer them, but the difficulties --
(General Moses entered the conference.)

Stark: I think it is a pretty good plan for us to hold onto that 26 anyway.

Spear: You just offered what was released.

Furlong: I said we had 426.

H.M.Jr: Is that legal thing - can't that be - is that impossible to jump over that? If this bill passes, will that help any?

Foley: That will take care of it.

H.M.Jr: That will take care of it?

Foley: Yes.

Furlong: These were bought since 1919. They will have to be declared surplus.

Compton: That could be done administratively.

Furlong: Yes.

H.M.Jr: What?

Compton: We can declare them surplus administratively. We need no law for that. So we can cover that as soon as we get the law which will permit us to sell these guns which were purchased subsequent to 1919.

H.M.Jr: So the minute it passes the House --

Compton: We can do administratively everything else.

Woodring: Why can't you transfer them to the Army like you did the others?

Spear: The Army can't get rid of them.

Compton: You can't get rid of them on account of that 1919 thing.

H.M.Jr: So as soon as that passes, you transfer them to the Army?

Compton: We can't give you 426. We can give you about 400 because we have had to send some over to Paris already.

H.M.Jr: Four hundred, say.

Compton: Four hundred, about four hundred.

Stark: In that neighborhood.

Furlong: That is right.

Stark: Close to it.

H.M.Jr: Now, here is something, I think - I have seen it on the ticker. I gather it has already been announced.

"Spare Manufacturing Equipment: For nitrocellulose powder manufacture, for ammonia oxidation, for small arms manufacture." I gather you are going to be able to do that, aren't you?

Burns: We are quite sure we can and we are working on it right now, with as high pressure as we can put on it.

H.M.Jr: When do you think you will come through with that?

Burns: Well, I don't know. Almost any hour, I would say. We ought to have it worked out by tomorrow.

H.M.Jr: But that is possible, all of that?

Burns: Of course, you appreciate that that isn't so pressing because what we have got to

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do is arrange with the DuPont Company and arrange with the Winchester Arms Company and they are creating their plant now and they won't really need this machinery for some little time to come.

H.M.Jr: It is pressing in this way, that when they heard last night that they were getting these additional 500 seventy-five millimeters, I don't know why, but nothing, they said, that we had done up to date made the hit that that second 500 did.

Burns: I understand that.

H.M.Jr: So I think anything that we can tell them every day or two, anything, carrying out what the President has in mind -- I mean, to tell them, "Well now, this is clear," and then in a day or two something else is clear, and that is what he is anxious to do, give them a little encouragement, so if you could, even though --

Burns: We are pressing it as hard as we can. I am quite sure that it is going to be worked out satisfactorily.

H.M.Jr: Thank you.

"Nitrocellulose Powder: Any further quantity of nitrocellulose powder."

Burns: Well, they have drained the well about as dry as they can drain it on that powder.

H.M.Jr: Sure?

Burns: That is my understanding.

Moses: We have two and a half million pounds on that from these 155 guns and charges.

Marshall: I didn't understand.

Moses: Two million five hundred thousand pounds, a hundred thousand charges for the 155 millimeter guns. They are already in

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charges, been loaded.

Marshall: What about them?

Moses: We can release them.

Marshall: That has not yet been released?

Moses: Yes, not yet been released.

H.M.Jr: He ought to get promoted. Two and a half million you can give us?

Moses: Yes, sir.

Burns: I thought you were asking for more than two and a half million, Mr. Secretary.

H.M.Jr: I have just got my hand out. I will take anything.

Marshall: He says he can release a hundred thousand charges, meaning, as I take it, two million five hundred thousand pounds.

Moses: That is right.

H.M.Jr: Is that all right with you?

Woodring: Yes.

H.M.Jr: Can we consider that done, then?

Woodring: Sure.

H.M.Jr: This --

Marshall: That is all right, is it?

Moses: Yes, sir. That is all right. I went into that early this morning.

H.M.Jr: Can we consider that sold?

Marshall: Yes, sir.

Moses: You can put that in as deteriorated, not surplus.

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H.M.Jr: That is the first thing I have gotten today. Thank you, General. Now, who do we --

Woodring: You have got the Enfields, some of them.

H.M.Jr: Not yet, have I?

Woodring: Some.

Marshall: But he needs ammunition.

H.M.Jr: This is, I think --

Furlong: How about those four hundred, do you want those?

H.M.Jr: Four hundred what?

Furlong: Thompson sub-machine guns.

H.M.Jr: I thought I had those.

Furlong: But I haven't given any orders about them yet.

H.M.Jr: Sure, I'd love to have them, crazy to get them and some ammunition with them.

Furlong: Yes.

H.M.Jr: Good. That is two things we have got.

Furlong: They are no use unless they have the ammunition.

H.M.Jr: That is what the President said about those fifty bombers.

Now, airplanes. "Ninety-three Northrup Bombers with equipment and the following bombs: 30 pound, 83,700; 100 pound, 58,590."

Marshall: On the planes themselves, I think they are - they were all stripped of armor, you see. They were using them for training. The armor and radio equipment has been put back and the planes have been tested and they were all to be - they have been flown

into the East already and they were to be ready to turn over, serviced, and in shape for business on Friday morning, the last one of them. The issue there is one of bombs.

H.M.Jr: Well, pardon me, General. This hasn't been cleared. I don't understand that Secretary Woodring has ever cleared it.

Woodring: Ninety-three?

H.M.Jr: Yes.

Woodring: Signed day before yesterday, I think it was, wasn't it?

H.M.Jr: I don't know that.

Woodring: The five hundred were signed yesterday.

Marshall: Where the problem is about the question of bombs, we have found out since that conversation we had the other night that they have an identical rack to the Navy and then also that the Navy had a certain number of truly obsolete bombs, of which the thirty pound they could transfer over to us 5,343 and of the hundred pound they could transfer to us 565. Now, during my absence yesterday morning or this morning, I don't know which, there was a certain number, 6,000 thirty pound bombs of the Army and 3,000 of the one hundred pound bombs of the Army were put into release. So far as I am personally concerned, I think that is a grave mistake.

H.M.Jr: You mean too little?

Marshall: To release any. The deficiency is so complete there with us and the length of time in getting anything else is so great it is very much like a father that pledges his all to some friend and leaves the family destitute. I don't see how we can do it.

H.M.Jr: Now, about this order for thirty pound bombs and hundred pound bombs and 500 and 1,000 that was given yesterday to U. S. Steel --

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Marshall: Yes, but when do we get them?

H.M.Jr: That, I don't know. Your assistants could tell you.

Burns: It would take better than a year.

Marshall: So far as I am concerned, I think that is a very grave mistake.

H.M.Jr: Well, there is no use trying --

Marshall: With our interest - considering our interest, I don't see how we dare do that. Of course, it would be a national tragedy if we got caught.

H.M.Jr: Then there would be no use turning over the --

Marshall: But we have got some bombs that can go with them for immediate use. There are 5,343 of one kind alone.

Furlong: Navy bombs.

Marshall: We dug out obsolete Navy bombs.

H.M.Jr: In the thirty pounders?

Marshall: Five thousand three hundred forty-three. It shows there on the right hand margin. That, added - they added six thousand Army bombs to that. Five thousand three hundred forty-three Navy that are obsolete and 565 of the hundred. That makes almost 6,000 bombs with 93 planes.

H.M.Jr: How much are they offering?

Young: Six thousand in thirty pound bombs.

Marshall: There was an Army contribution there. They figured it was 6,000 of the 30 pound and 3,000 of the 100 pound. That is what I say is a grave mistake to release.

H.M.Jr: I am sorry, General. You will have to go with me once more. I have here 11,343 thirty pound bombs.

Marshall: Yes. Now, the explanatory notes is the 5,343, that is all right. They are obsolete bombs. But they have added 6,000 army bombs to that in my absence here. I don't know how that came about. That I don't think should be done. The same thing has occurred here. There are 565 hundred pound bombs that we can turn over to them but they have added to that 3,000 of our bombs. I don't think that should be done.

H.M.Jr: Do you feel very strongly about that?

Marshall: Very strongly. I think it is a very serious thing. There is no explanation under Heaven with the limited supply we have of those bombs if anything happens. When we do that, you are saying that we are not going to be in any trouble for a year.

H.M.Jr: I can't say that.

Marshall: None of us can say that, and I think it would be a national tragedy if we got involved in that. However much we want to do it, our deficiency is so serious that it's going to be a national thing if we get mobilized.

H.M.Jr: You don't mind my again asking - it seems unbelievable to me that it should take a year.

Marshall: I have found out some of the things about it. In the first place, the law requires us to go to the lowest bidder, that has been the requirement. We went to the Bethlehem plant. Their machinery was not on a solid enough foundation for these bombs, and it has been breaking the oil lines and doing other things so that they have been stopped and stopped again trying to carry it out. It was World War machinery and it is all centered in one plant. That got us into our first serious delay in connection with the thing and they are still struggling with it.

H.M.Jr: The point I am making, General, this contract - I believe it was signed yesterday with U. S. Steel - which includes hundred pound bombs and

hundred pound bombs, that was signed yesterday. How long before U. S. Steel Corporation can give it to us?

Burns: A year was my impression, but I don't think you could get bombs from the U. S. Steel corporation in a loaded state in less than a year.

H.M.Jr: Let's do it this way. In view of what General Marshall says, we will accept the 5,343 Navy bombs, the 565 Army, and then I am going to ask you gentlemen to survey the situation with U.S. Steel, that is fair, isn't it?

Marshall: Yes, sir. That is all right.

H.M.Jr: Is that all right?

Marshall: Yes, sir.

H.M.Jr: In view of what General Marshall said - General Marshall has told me - I have never once pressed you, have I? Not when you and I were together. Is that right?

Marshall: That is right.

H.M.Jr: You and I have never differed once, have we?

Foley: Insofar as the public bidding statute is concerned, you can put an upset date for delivery there, can't you, General?

H.M.Jr: This is an old contract. Right? The Bethlehem contract is an old contract.

Burns: Yes, sir. The one he is talking about is an old contract.

H.M.Jr: That is my understanding. I just want to go back once more. May I go back once more, Harry? Do I understand the contract for the 93 bombers has been finished?

Woodring: That is my understanding.

Marshall: Yes.

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H.M.Jr: Do you know, General Moses?

Moses: Yes, sir.

Marshall: They got involved between two plants. The plant that they wanted to take it in didn't want to take it.

H.M.Jr: But what I am getting at, because General Watson has asked me, we don't have to bother the President with this, is that right? He has asked me two or three times in view of your memorandum.

Woodring: It would be just a question of putting it out between the Steel Company and United States.

H.M.Jr: Your memorandum of Saturday - it is right here.

Woodring: Yes.

H.M.Jr: I told General Watson I thought you and I could work out something without bothering the President.

Woodring: Well, let me see that.

Moses: These bombs are already on their way.
(Major Brooks entered the conference.)

H.M.Jr: But we don't have to bother him with the bombers or the bombs?

Woodring: No.

Marshall: The contract for the 93 planes is being drawn right now, and they are trying to get Douglas to sign it.

H.M.Jr: Phil, get the Major a chair, will you, please?

Marshall: North American wouldn't go through with it and we turned to Douglas and are trying to get him to sign it right now, so insofar as our process of releasing --

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- H.K.Jr: But we don't have to bother the White House on the bombers. We don't have to talk to them about bombs, but I am not going to press you today. Okay?
- Marshall: Yea.
- H.K.Jr: Now the next thing, "Ex Priorities: 500 North American Harvard Trainers for Canada." I take it they want priorities again.
- Brooks: They wanted our priorities over our trainers. We are short trainers now, and the British Government had guaranteed North American an extra million dollars to speed up on their deliveries. When they speeded up on their deliveries, the British backed out, I understand, on the contract and now they are negotiating to see if they can't take care of it. I find from Mr. Nelson they are all right on that now.
- Nelson: Well, they are on the way to being all right, Mr. Secretary. There was a misunderstanding between Sir Henry Self and North American. Sir Henry Self thought he was buying an additional 125 planes. North American thought they were accepting the money just to speed up production. Now, in my office they arrived at an understanding. North American agreed to take 50 more planes instead of 125, so they will have it all straightened out this morning. Some of those 500, at least 50 of them, are arranged, if they can get priority on the engine, which they think they can get. Now they are going to negotiate for more tomorrow after they talk it over with the Army.
- H.K.Jr: Well, does that wash out this request for 500 --
- Nelson: No, sir, it does not wash out the request for the 500. It washes out definitely only 50 of the 500.
- H.K.Jr: Is there any chance, General, to give them any priority on the North American?

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Marshall: We have 1,883 planes available for training 4,351 pilots.

H.M.Jr: Would you say that again?

Marshall: We have now 1,883 planes available for training 4,351 pilots and student pilots. To turn over any of these planes as they become available on Procurement schedule would aggravate a serious deficiency and may seriously jeopardize the national defense. I am reading from the data they dug out of the Air Corps in relation to this particular issue. We are behind on planes for the ordinary training of pilots, just as we are behind on planes in the squadrons with the training of those that have graduated and if we take away those planes, we just simply put a check on the development of this air force of ours up to the augmented state provided for on July 1st of 1939. Now, whether or not we can afford to risk such a delay, that is a question of national policy. I do not think we can.

H.M.Jr: I don't either.

Marshall: Especially as we are going into a tremendously increased program. Where this is 2,400 pilots in two years - and we are going into 7,000 pilots a year --

H.M.Jr: I agree with you.

Marshall: Anything you do makes it worse and worse, progressively so.

H.M.Jr: Now, the four Allison engines which they have been crying about.

Marshall: Well, we have turned over one. As it says there, the Allison repairs are behind the schedule and additional engines will be furnished as soon as they can be produced, but until they turn them out we haven't the engine.

H.M.Jr: And the six Pratt & Whitney, none will be in existence for several months.

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Marshall: Yes. We have promised the engines when they are turned out, but they haven't turned them out.

H.M.Jr: They turned out four last week and five the week before.

Marshall: You mean that the Allies did not get?

H.M.Jr: No, the total production of Allison --

Marshall: Of double Wasps?

H.M.Jr: Called "C". They made four engines last week and the week before they made five, I mean produced.

Marshall: What about that, Brooks?

Brooks: Those all go to the Allies, and we don't get any.

H.M.Jr: What is the "C" or "F" engine they want?

Marshall: We are receiving none.

Brooks: No.

Young: I don't know.

H.M.Jr: You had better find out. There is a "C" engine and an "F" engine. The "C" engine is 1,050 horse power and the "F" engine is 1,150. Right?

Towers: Approximately.

H.M.Jr: Supposedly, and I think what they are crying about is the "C" engine to go into their ships at Curtiss, the P-40.

Young: I will find out.

H.M.Jr: And the six Pratt & Whitney engines, there are none in existence.

Brooks: No, and will not be for several months.

H.M.Jr: Don't bother, Phil. You can find out later.

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Now, this is for the Navy. If the Army wants to offer anything, I will be glad to take it, Harry.

- Woodring: Well, what about the 80 planes, is that the same situation?
- Marshall: I am trying to check. They have changed the designation. There are two types of planes, 93 A-17-A's and then 83 of another type.
- Woodring: That 80 was --
- Young: It is the A-17.
- Marshall: They haven't requested any of those, have they?
- H. M. Jr: We haven't officially told them about that. We said we hoped to get it. We haven't told them officially.
- Woodring: I should think it would be the easiest thing we could give. I don't know about the bombs on them.
- Marshall: There are no bombs for it.
- H. M. Jr: How about the bombs?
- Marshall: We have none. We have nothing on the bomb end. This, I think, cleans house on the Navy obsolete --
- Thompson: You have got all ours that we have, Mr. Secretary.
- H. M. Jr: Then the thing is to ask the Allies whether they want those 80 ships bombless.
- Woodring: The only difference is that the 93 we are giving has the retractable landing gear and the 80 hasn't.
- H. M. Jr: The question is, can they use those 80 ships without any bombs.
- Stark: General, those 5,300 bombs, 30 pounders, are the same as your types. You are sure you don't need those?

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Woodring: What is it?

Stark: The 5,300 30 pound bombs.

Marshall: We certainly could use those, but I am not making a claim on the transfer of what you call a surplus bomb of yours. In view of the dire need, I am not trying to short circuit that.

H.M.Jr: Now, Admiral, don't take this out of my mouth now that I've got it.

Stark: I just want to make sure it is an Army bomb and the same thing they are keeping, and I think they should have first call on them if they feel they need them.

Marshall: Yours are a much older bomb than ours.

H.M.Jr: He passed this with his eyes open. His eyes were open. Don't help him. He doesn't need any magnifying glass. I have got one here.

Stark: Well, to keep the records straight --

H.M.Jr: Well, he gave us those. Are you satisfied? Is it all right? You made your gesture.

Stark: Oh yes, it is all right as far as we are concerned.

Compton: We will have to get them replaced, but we can get them replaced, I think, in time.

H.M.Jr: I would be curious to see how long it takes the Navy to get them replaced.

Furlong: Colonel Burns is getting them replaced for the Navy.

Burns: That is part of the contract that is being negotiated right now.

Furlong: That is the thousand we are talking about.

Burns: That is right.

H.M.Jr: You mean with U. S. Steel?

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Furlong: Yes, sir.

H.M.Jr: All right.

Compton: Our Navy planes, Mr. Secretary --

H.M.Jr: I am surprised at you, Admiral.

Compton: Our Navy planes without bombs are just as useless as the Army planes without bombs.

H.M.Jr: I was singing your praises over at the White House and everything.

Stark: We are replacing them with thousand pound bombs. We are not replacing the thirty pounders.

H.M.Jr: I helped you get those in that list. I called up Stettinius and spoke to you and spoke to Colonel Burns and everybody else.

Stark: I was very grateful.

H.M.Jr: They stuck them in. How many did you get? I told them to give you 150% of what you gave up.

Stark: One thousand.

Furlong: They were just giving us penny for penny.

Burns: We have got five million dollars worth of bombs in that U. S. Steel appropriation.

H.M.Jr: You can get more bombs than that if you want more than a thousand.

Stark: It is a dive bomb. I imagine that is being worked out.

Burns: That is being worked out in the contract today.

Stark: It is satisfactory.

H.M.Jr: Now, I hate to - 48 destroyers. I know what the answer is.

Compton: The only trouble there is that a naval war has got to be fought with what ships we have. They are not replacable. You can replace bombs. We can't replace destroyers in two years, three years.

H.M.Jr: I know it. I didn't make up the list.
"Equipment (Torpedoes, War Heads, Depth Bombs, Guns and Ammunition) for the priority granted on twenty motor torpedo boats." How about that?

Compton: We are prepared to give you the torpedoes for those 20 - British type torpedo boats. We can give you not only enough to equip the boats with a ready supply, but some reserve supply.

Stark: A total of 80.

Compton: Eighty torpedoes for 20 boats.

H.M.Jr: Okay. Anything else? //

Stark: The guns and ammunition, Mr. Secretary, have already been released to them on another release. That is in production, isn't it, Furlong?

Furlong: In other words, some time ago we gave our priorities for Colt guns to the British. The Army and Navy together released priorities to the Allies so that they have to get them themselves from Colt for these boats.

H.M.Jr: How about that last request, "Any number of boats similar in type to the motor torpedo boats for which a priority of 20 has already been granted (E.G. Mosquito Boats)"? Have you got anything else? They are really quite in earnest about that.

Spear: Mr. Secretary, I have repeated several times that Mr. Ballantyne has cabled the Admiralty permission to take these twenty boats and yet there is no official request before the Navy, at least, for these boats.

H.M.Jr: Okay. Purvis is down the hall waiting until this meeting is over. I will tell him.

Compton: You understand, Mr. Secretary, the 20 boats aren't completed yet.

H.M.Jr: They start in June, don't they?

Compton: Those start in July and they will go right through until September and October.

H.M.Jr: But they will take anything else that floats that can help them defend the channel. Have you got anything else?

Compton: That is all we have.

H.M.Jr: Nothing else?

Compton: Well, we have some experimental boats that were under the competitive design. There again we have got to develop a tactical use for these boats. We really ought to keep at least - of the 24 boats from the Electric Boat Company, we ought to keep eight because the tactical - I know, four is the decision. We are committed to that and you can't develop a tactical use for a submarine chaser, for instance, without three boats. You have got to get a three point fix before you find out where a submarine is, and the development of tactical uses for these boats and the training of the personnel is a long time proposition, and we are making quite a sacrifice when we only keep two. Well, we are keeping two of each type, you see, Mr. Secretary. Of those 24 boats, you have motor torpedo boats and submarine chasers. Each type of boat has a different tactical mission and with two of them it is going to be almost impossible to develop tactical use, but we are committed to that, but that is about as far as we can go, I think.

H.M.Jr: I am sincere when I say I appreciate what you gentlemen are doing. I know we are scraping bottom. I guess that is all, Harry, unless there is something you want to say. //

Compton, anything you want to offer?

Compton: That is all I have, Mr. Secretary.

H.M.Jr: General Marshall?

Furlong: Oh, I will tell you --

Stark: I have got something to offer. It may be pure rumor, but it would make anybody mad if it isn't. Just as I opened the door to leave, an absolutely unconfirmed United Press reporter said a revolution had broken out in Italy.

H.M.Jr: Too good to be true. Well, something has happened, because --

Stark: Well, it wouldn't be surprising. We had talked that situation over. That may be totally false, but that is the only thing I have got to offer.

H.M.Jr: Admiral, something has happened, because the New York stock market went up 5 1/2 points today and there is no reason for it. Somebody has got some good news somewhere. There is some news somewhere that put that market up 5 1/2 points.

Woodring: If they just do what I have been advocating for a week - I am not a military strategist - but if they just take what they have got in planes in England and France and bomb Hell out of Turin and Florence and Rome and Milan, you would have a revolution there and those Italians would run clear to the Adriatic, they never would stop.

H.M.Jr: On the ticker they said they were bombing Turin.

Woodring: Well, that wasn't very effective, was it?

Compton: It didn't last long.

H.M.Jr: Well, I can't tell you how much I appreciate your patience.

Furlong: You wanted to know. I have got some more guns here if you want them.

H.M.Jr: Thank you all, gentlemen.

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Furlong: I have some other things here if you want them.

H.M.Jr: That is enough. Put up your Army and go.

Compton: We have got some more guns.

H.M.Jr: That is all right.

Furlong: It's not very much, but he might be interested in those things.

H.M.Jr: He will take anything. Go ahead.

Furlong: We have 500 Smith & Wesson 38 calibre revolvers.

H.M.Jr: We will take them.

Furlong: Yes, and we can give you some ammunition for them.

H.M.Jr: Wonderful.

Young: How much?

(Mr. Woodring, General Marshall, Admiral Towers, Colonel Burns, Major Brooks and General Moses left the conference.)

Furlong: I will have to send that over, but we can give you plenty of ammunition for them. Now, we have some 3", 23 old fashioned field guns. I don't know whether they would want them.

H.M.Jr: Three inch --

Furlong: Twenty-three calibre. Old landing force guns. I don't think it would be worth putting them on the ship.

Compton: Wouldn't that be good for an anti-tank situation, behind the barricade in the streets of Paris?

Furlong: I don't think there is any ammunition.

H.M.Jr: There is no ammunition. What else have you got?

Furlong: Well, there is a thing I would like to speak of and that is the Dutch wanted some old guns for the Dutch East Indies.

H.M.Jr: Yes.

Furlong: And I don't know whether we ought to give them to them or not. We have some old guns, 4" and 3".

H.M.Jr: Could that go to this committee of Admiral Spear and Colonel Burns and Mr. Nelson and let them chew on it?

Nelson: That is where it should come and we will take it up with the State Department.

Furlong: I told them to go to that committee.

H.M.Jr: Let them go to that committee.

Furlong: I have already told them to go to that committee.

H.M.Jr: Let them emasculate it. Anything else?

Furlong: No, that is all.

Stark: Are you dry now?

Furlong: Well, I don't know. I look at this thing differently from some people. I would like to see those people do all the fighting over there and give them everything.

H.M.Jr: You and me both. I have said that for a year and a half, but I was kind of lonesome a year and a half ago. I will never forget that I keep repeating what Captain Kraus - how he saved my life a year and a half ago.

Furlong: Those rifles, I don't know whether they can use the Springfield rifles or not, but we have got that --

Compton: They are a darned good rifle. That is the rifle we used in the World War.

H.M.Jr: Have you got ammunition with it?

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Compton: It must be obtainable in the country.

Furlong: I am going to look into that ammunition part.

H.M.Jr: Any other good ideas?

Stark: Keep cheerful, that is all.

H.M.Jr: Well, we are cheerful around here, definitely. Thank you all.

June 12, 1940

My dear Mr. Hoover:

*7 given to Mr. Easton
9/19/40*

This will acknowledge receipt of your letter of June 6th giving further information with respect to funds turned over by the German Consulate General in New York to the Industrial Trust Company of Philadelphia, and your letter of June 7th reporting fully on conditions at the Allison plant. I appreciate your courtesy in furnishing me with this material.

Yours sincerely,

(Signed) H. Morgenthau, Jr

Mr. J. Edgar Hoover,
Director,
Federal Bureau of Investigation,
Washington, D.C.

45-B

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Mr. J. Edgar Hoover,
Director,
Federal Bureau of Investigation,
Washington, D.C.

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

45-D
PERSONAL AND
CONFIDENTIAL

June 7, 1940

The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Reference is made to your telephonic conversation with me of May 27, 1940, relative to conditions in the Allison Engineering Company Division, General Motors Corporation, Speedway City, Indiana.

I have instructed that an appropriate investigation be conducted concerning this matter, in connection with which information has been obtained that the Allison Engineering Company is now producing one of the special air-cooled motors a day, this representing the maximum of production to date. Officials of the Allison Engineering Company have indicated, according to available information, that recent expansion developments became necessary to meet the greatly increased demands of the United States Army Air Corps and that increased production of the motor has been impaired to date by the necessity of expansion with regard to plant facilities, tools, machinery, et cetera.

The Allison Engineering Company Division, General Motors Corporation, consists at this time of three plants, all located in Speedway City, Indiana, and designated by the company as Plants 1, 2, and 3. Plant 1 was the only one in existence at the time the company was purchased by the General Motors Corporation during 1929. It is engaged solely in the production of bearings, about eight per cent of which are used by the company in the production of airplane motors, the remainder being sold to outside purchasers. Plant 2 was constructed by the General Motors Corporation in 1936, and an addition thereto was constructed during 1938. Plant 2 formerly housed the main offices of the company, as well as facilities for the production, development, and testing of airplane motors. Since the recent completion of Plant 3, however, Plant 2 is used only in connection with developing and testing new motors and

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The Secretary of the Treasury

for the purpose of housing the engineering and experimental departments. Plant 3, recently completed, presently houses all facilities for producing the airplane motors manufactured by the company, and also the main offices of the company. At the present time, 1,750 men are employed in Plant 3, operating on three shifts a day with the exception of the assembly department, which is now operating only two shifts a day due to lack of space and facilities for immediate expansion. New employees are now being hired at Plant 3 at the rate of approximately twenty-five a day.

Mr. Otto T. Kreusser, General Manager of the Allison Engineering Company, has indicated that he expects production to be increased within the next several weeks to a maximum of two complete airplane motors a day. It is further indicated that following the completion of new facilities now under construction, production will gradually be increased to a contemplated maximum of twenty complete motors a day. It is stated that the new facilities referred to will probably be completed on or before July, 1940, and the above mentioned maximum of twenty motors a day should be reached on or before November 1, 1940.

The special air-cooled motor being developed by the Allison Engineering Company at this time is composed of two thousand individual parts. A number of the parts are constructed by the Allison Engineering Company itself and some parts are constructed by other divisions of the General Motors Corporation. Those parts constructed by the Allison Engineering Company are presently being produced in sufficient quantity to permit the production of five complete motors a day. The Cadillac Division of General Motors now has one thousand men employed in the construction of parts for Allison motors and, in addition thereto, the A-C Division of General Motors has four hundred men employed in the production of parts for this engine. The Aluminum Casting Division of General Motors has 1,250 men presently engaged in producing parts for Allison motors.

The Honorable
The Secretary of the Treasury

From information which I have obtained to date, it seems that all necessary parts are now being produced in sufficient quantity to permit the completion of a larger number of motors a day, although the assembly department is assembling only one complete motor each day, as indicated above. I have obtained information that Mr. Kreusser and other officials have indicated this situation is caused by lack of adequate facilities for the assembly department. It is reported that new portions of Plant 3 presently under construction consist of a very large addition to be used exclusively for increased assembly department facilities. Additions are also being created for a number of torque rooms for use in testing each individual motor following final assembly. Officials of the company have stated that until the assembly portion of the plant is completed and all of the necessary additional equipment installed, production cannot be stepped up to the estimated maximum of twenty motors a day.

According to information which I have received, Mr. Kreusser, on May 28, 1940, was overheard to make a statement to the effect that "they have been putting on the pressure," it being deduced from this statement and the context of the accompanying conversation that he was referring to Governmental authorities. Mr. Kreusser, upon this occasion, stated that Governmental authorities, whom he did not name, have demanded that the Allison Engineering Company develop and produce an experimental motor within a six-month period and then immediately deliver one thousand of such motors. Mr. Kreusser has complained that demands of this kind cannot be complied with, inasmuch as the shops and machinery have to be especially tooled for the new types of work necessitated in producing the new motors. The experimental motor mentioned by Mr. Kreusser apparently relates to an entirely new engine, containing numerous improvements over the engines presently being produced and complying in every respect with new Army specifications. Mr. Kreusser has indicated that the Allison Engineering Company has been engaged for some time in experimenting with and developing the new motor.

The Honorable
The Secretary of the Treasury

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I have ascertained that Mr. Ronald K. Evans, Vice President of the General Motors Corporation and apparently responsible directly to Mr. William S. Knudsen, President thereof, acts as Mr. Kreusser's immediate superior. It is reported that Mr. Evans spends at least one or two days each week at the Allison plants, it being indicated that he visited Plant 1 and conferred with Mr. Kreusser on May 28, 1940. Available information indicates that Mr. Evans is about fifty years of age and is married, having one daughter, Catherine. His wife's name is Gladys Evans. Mr. Evans has been connected with the General Motors Corporation for seventeen years, thirteen of which were spent in Europe. Available information further indicates that Mr. Evans proceeded to the United States from Wresbaden, Germany, during October, 1936, having previously been connected with the Adam Opel A. G., Russelsheim, Germany, a subsidiary of the General Motors Corporation and manufacturers of Opel cars and Blitz trucks. Mr. Evans now resides at 31615 Evergreen Road, Birmingham, Michigan. He owns a thirty-acre farm, purchased in 1936 for \$30,000 cash and presently valued at approximately \$70,000. He also owns a larger farm, consisting of approximately three hundred and twenty acres, located north of Birmingham, Michigan. Mr. Evans formerly served as Vice President of the Diesel Division of the General Motors Corporation, being in charge of export activities. According to available information, Mr. Evans is apparently connected in some capacity at the present time with the Guaranty Trust Company, 140 Broadway, New York City. Additional information concerning this individual will be furnished you subsequently.

Mr. Otto T. Kreusser, General Manager of the Allison Engineering Company Division, General Motors Corporation, Speedway City, Indiana, was born in 1897 in New York City. He served as an engineer with the United States Army during the World War, being stationed at Dayton, Ohio. Mr. Kreusser has been employed by the General Motors Corporation for a period of seventeen years, having spent approximately ten years of this period at the General Motors Proving Grounds,

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The Secretary of the Treasury

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Wilford, Michigan. He was, for about two years, connected with the Fisher Body Company, a subsidiary of the General Motors Corporation. Mr. Kreusser was apparently loaned for several years by the General Motors Corporation to the Museum of Science and Industries, Chicago, Illinois, following which he served in the research department of General Motors, having occupied the position of General Manager of the Allison Engineering Company since December, 1937. Mr. Kreusser has, upon a number of occasions, expressed apprehension lest sabotage efforts at the Allison Engineering Company slow down and hinder production efforts. Mr. Kreusser has also expressed himself as being interested in plant protection problems and in countersabotage and counterespionage efforts in connection with the operations of the Allison Engineering Company.

Mr. Ronald Hazen is Chief Engineer and Superintendent of the engineering department of the Allison Engineering Company. He was born on October 3, 1897, in North Dakota, and was graduated from the University of Michigan. He began service with the General Motors Corporation in 1923, being employed in the research department, where he served until the early part of 1926, at which time he became an instructor with the Curtiss-Wright Corporation and remained until 1927. He then returned to the General Motors Corporation and has been employed thereby since the last mentioned date, having been transferred to the Allison Engineering Company Division as Chief Engineer during 1933. Mr. Hazen is reported to possess the close confidence of Mr. Kreusser and acts as second in command to Mr. Kreusser. Mr. Hazen's brother, one Charles Hazen, is Managing Editor of the Shreveport, Louisiana, Times, and the latter individual is reported to possess the implicit confidence of his publisher, Colonel Ewing, of Shreveport.

The office of the Federal Bureau of Investigation at Indianapolis, Indiana, has performed a large amount of investigative work at the Allison plants in connection with complaints indicating possible involvement of sabotage and espionage activities.

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The Honorable
The Secretary of the Treasury

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Only several weeks ago it was discovered that 5,500 gallons of oil, stored in a new underground tank at the Allison plants, contained contaminants. An analysis of these contaminants reflected the presence of metal filings. However, it has been determined that the oil in question had not been tested before being stored in the tank, which was new and previously unused, available information indicating that filings and deposits from pipe leads to the new and unused tank caused this contamination. It became necessary to pump all of the oil out of this tank for return to the refinery.

It has also been discovered that two underground tanks filled with 78 octane gasoline recently became contaminated, although new and unused tanks, fittings, and pipe leads may have been responsible in the latter instance also.

Information has been obtained that in testing motors at the Allison Engineering Company, varying amounts of deposits of carborundum have been discovered in the lubricating oil, this apparently being due to the fact that carborundum mixed with liquid is used in grinding down by hand and smoothing the finished surfaces of crank cases, no gaskets being used between these parts. The carborundum in question was so fine it apparently did not actually damage the motors; however, a process has been instituted whereby the motors are washed following hand grinding of the crank cases, in order to remove traces of carborundum. In addition to the above, arrangements are being effected whereby carborundum will be issued in salt shakers instead of in large five-pound cans, so that a close and detailed check can be maintained of the amount of this material used by the individual employees in the crank case smoothing process.

Previous investigation was conducted with regard to a large cloth found lodged in the lubrication system of an aircraft motor undergoing its final acceptance test at the Allison Engineering Company before delivery to the United States Army Air Corps. A quantity of metal chips was also found in the lubrication system of this motor, which had damaged the main bearings. Subsequent to the last mentioned

The Honorable
The Secretary of the Treasury

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occasion, a quantity of metal chips was found in the lubrication system of the dynamometer stand on which motors were being tested, these acts indicating possible involvement of sabotage activities. While it has not been possible to date to determine definitely the true causes of the three last mentioned irregularities, considerable investigation has been conducted with regard to the possibility that the defects in question may have been caused by employees through malicious motives or carelessness.

A number of fires have occurred recently in Plant 3 of the Allison Engineering Company, most of which caused no particular damage, although one conflagration caused injury to the extent of approximately \$3,000. It has been determined that these fires apparently were caused by sparks, emanating from grinding operations within the new plant, igniting an accumulation of magnesium and aluminum dust located in the vicinity of the grinding machines. Efforts have been expended to perfect arrangements for the purpose of preventing such fires from these causes in the future and, in addition thereto, the results of special tests conducted by the Technical Laboratory of the Federal Bureau of Investigation, indicating that sand, carbon dioxide, and possibly carbon tetrachloride may best be utilized to readily extinguish such flames as might ordinarily occur in this manner, have been furnished to officials of the Allison Engineering Company.

Investigative efforts are being continued with regard to conditions at the Allison Engineering Company, for the purpose of definitely determining the true causes in connection with suspicious occurrences. In this regard, Mr. Kreusser has recently requested an investigation concerning certain suspicious activities on the part of an individual presently employed in the specifications room of the Allison Engineering Company.

Due to the extreme importance of the Allison Engineering Company in connection with the national defense, I instructed that a plant survey be conducted with regard to this company and its production facilities during

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The Honorable
The Secretary of the Treasury

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November, 1939, this being one of the earliest plant surveys conducted by the Federal Bureau of Investigation in its current program of surveying plants maintained on the Army and Navy allocated facilities lists to insure utilization of adequate protective measures against espionage and sabotage activities.

I am pleased to transmit herewith, for your information, a copy of the report of Special Agent C. A. Hardison, dated November 27, 1939, at Indianapolis, Indiana, reflecting the results of the survey of Plants 1 and 2 of the Allison Engineering Company at Speedway City, Indiana. It will be noted that Plant 3, which is, of course, at the present time one of the most important of the three plants, had not been completed at the time of the above survey, for which reason a supplementary plant survey has since been conducted with regard to Plant 3, and I will, within the immediate future, furnish a copy of a report reflecting the results of the supplementary survey, for your information.

I am also transmitting herewith, for your information, a copy of the letter which I furnished to Mr. Otto T. Kreusser on December 26, 1939, outlining recommendations and suggestions with regard to certain protective measures to be undertaken by the Allison Engineering Company in order to insure adequate protection against espionage and sabotage activities.

It will be noted that during the plant survey of the facilities of the Allison Engineering Company, it was discovered that in the east portion of the plant area was located a large warehouse utilized for storing great quantities of oil and clear gasoline used in motor tests. Adjacent to the warehouse was located a considerable quantity of oil-soaked metal shavings, constituting an accumulation approximately ten feet high and covering an area approximately ten feet by ten feet. Large quantities of oil had drained from these shavings and collected in pools on the ground surrounding the warehouse. A lighted match, cigarette butt, or something of the kind, carelessly or deliberately thrown into these pools of oil, might very readily have resulted in a fire, causing destruction of the

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The Honorable
The Secretary of the Treasury

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warehouse and the fuel stored therein. Inasmuch as the test building, housing facilities for testing airplane motors, was located only twenty feet from the storage warehouse in question, an explosion of the fuel storage tanks in the warehouse probably would have resulted in complete destruction of this portion of the plant. Apparently the practice of dumping the metal shavings immediately adjacent to the warehouse in the above fashion had been practiced for a period of months. Of course, appropriate recommendations were issued in order to remedy the above situation, and I am informed by the Special Agent in Charge of my Indianapolis office that proper adjustments in this connection have been effected.

As indicated above, I shall be pleased to furnish you additional information within the immediate future concerning the results of investigative efforts in connection with the Allison Engineering Company.

Sincerely yours,

J. Edgar Hoover
John Edgar Hoover
Director

Inclosure

General Bureau of Investigation
United States Department of Justice
Washington, D. C.

PERSONAL AND
CONFIDENTIAL

June 7, 1940

The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

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The Honorable
The Secretary of the Treasury

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Mr. Otto T. Kreuzer, General Manager of the Allison Engineering Company, has indicated that he expects production to be increased within the next several weeks to a maximum of two complete airplane motors a day. It is further indicated that following the completion of new facilities now under construction, production will gradually be increased to a contemplated maximum of twenty complete motors a day. It is stated that the new facilities referred to will probably be completed on or before July, 1940, and the above mentioned maximum of twenty motors a day should be reached on or before November 1, 1940.

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The Honorable
The Secretary of the Treasury

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Page 3

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The Memoranda
The Secretary of the Treasury

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I have ascertained that Mr. Ronald E. Evans, Vice President of the General Motors Corporation and apparently responsible directly to Mr. William S. Knudsen, President thereof, acts as Mr. Krausner's immediate superior. It is reported that Mr. Evans spends at least one or two days each week at the Allison plants, it being indicated that he visited Plant 1 and conferred with Mr. Krausner on May 28, 1940. Available information indicates that Mr. Evans is about fifty years of age and is married, having one daughter, Catherine. His wife's name is Gladys Evans. Mr. Evans has been connected with the General Motors Corporation for seventeen years, thirteen of which were spent in Europe. Available information further indicates that Mr. Evans proceeded to the United States from Wiesbaden, Germany, during October, 1936, having previously been connected with the Adam Opel A. G., Issenheim, Germany, a subsidiary of the General Motors Corporation and manufacturers of Opel cars and Buick trucks. Mr. Evans now resides at 31615 Davenport Road, Birmingham, Michigan. He owns a thirty-acre farm, purchased in 1936 for \$30,000 cash and presently valued at approximately \$70,000. He also owns a larger farm, consisting of approximately three hundred and twenty acres, located north of Birmingham, Michigan. Mr. Evans formerly served as Vice President of the Diesel Division of the General Motors Corporation, being in charge of export activities. According to available information, Mr. Evans is apparently connected in some capacity at the present time with the Quakerly Trust Company, 140 Broadway, New York City. Additional information concerning this individual will be furnished you subsequently.

Mr. Otto F. Krausner, General manager of the Allison Engineering Company Division, General Motors Corporation, Speedway City, Indiana, was born in 1897 in New York City. He served as an engineer with the United States Army during the World War, being stationed at Dayton, Ohio. Mr. Krausner has been employed by the General Motors Corporation for a period of seventeen years, having spent approximately ten years of this period at the General Motors Proving Grounds,

Milford, Michigan. He was, for about two years, connected with the Fisher Body Company, a subsidiary of the General Motors Corporation. Mr. Kreusser was apparently loaned for several years by the General Motors Corporation to the Museum of Science and Industries, Chicago, Illinois, following which he served in the research department of General Motors, having occupied the position of General Manager of the Allison Engineering Company since December, 1937. Mr. Kreusser has, upon a number of occasions, expressed apprehension lest sabotage efforts at the Allison Engineering Company slow down and hinder production efforts. Mr. Kreusser has also expressed himself as being interested in plant protection problems and in countersabotage and counterespionage efforts in connection with the operations of the Allison Engineering Company.

Mr. Ronald Hazen is Chief Engineer and Superintendent of the engineering department of the Allison Engineering Company. He was born on October 3, 1897, in North Dakota, and was graduated from the University of Michigan. He began service with the General Motors Corporation in 1923, being employed in the research department, where he served until the early part of 1926, at which time he became an instructor with the Curtiss-Wright Corporation and remained until 1927. He then returned to the General Motors Corporation and has been employed thereby since the last mentioned date, having been transferred to the Allison Engineering Company Division as Chief Engineer during 1933. Mr. Hazen is reported to possess the close confidence of Mr. Kreusser and acts as second in command to Mr. Kreusser. Mr. Hazen's brother, one Charles Hazen, is Managing Editor of the Shreveport, Louisiana, Times, and the latter individual is reported to possess the implicit confidence of his publisher, Colonel Swing, of Shreveport.

The office of the Federal Bureau of Investigation at Indianapolis, Indiana, has performed a large amount of investigative work at the Allison plants in connection with complaints indicating possible involvement of sabotage and espionage activities.

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Only several weeks ago it was discovered that 5,500 gallons of oil, stored in a new underground tank at the Allison plants, contained contaminants. An analysis of these contaminants reflected the presence of metal filings. However, it has been determined that the oil in question had not been tested before being stored in the tank, which was new and previously unused, available information indicating that filings and deposits from pipe leads to the new and unused tank caused this contamination. It became necessary to pump all of the oil out of this tank for return to the refinery.

It has also been discovered that two underground tanks filled with 78 octane gasoline recently became contaminated, although new and unused tanks, fittings, and pipe leads may have been responsible in the latter instance also.

Information has been obtained that in testing motors at the Allison Engineering Company, varying amounts of deposits of carborundum have been discovered in the lubricating oil, this apparently being due to the fact that carborundum mixed with liquid is used in grinding down by hand and smoothing the finished surfaces of crank cases, no gaskets being used between these parts. The carborundum in question was so fine it apparently did not actually damage the motors; however, a process has been instituted whereby the motors are washed following hand grinding of the crank cases, in order to remove traces of carborundum. In addition to the above, arrangements are being effected whereby carborundum will be issued in salt shakers instead of in large five-pound cans, so that a close and detailed check can be maintained of the amount of this material used by the individual employees in the crank case smoothing process.

Previous investigation was conducted with regard to a large cloth found lodged in the lubrication system of an aircraft motor undergoing its final acceptance test at the Allison Engineering Company before delivery to the United States Army Air Corps. A quantity of metal chips was also found in the lubrication system of this motor, which had damaged the main bearings. Subsequent to the last mentioned

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occasion, a quantity of metal chips was found in the lubrication system of the dynamometer stand on which motors were being tested, these acts indicating possible involvement of sabotage activities. While it has not been possible to date to determine definitely the true causes of the three last mentioned irregularities, considerable investigation has been conducted with regard to the possibility that the defects in question may have been caused by employees through malicious motives or carelessness.

A number of fires have occurred recently in Plant 3 of the Allison Engineering Company, most of which caused no particular damage, although one conflagration caused injury to the extent of approximately \$3,000. It has been determined that these fires apparently were caused by sparks, emanating from grinding operations within the new plant, igniting an accumulation of magnesium and aluminum dust located in the vicinity of the grinding machines. Efforts have been expended to perfect arrangements for the purpose of preventing such fires from these causes in the future and, in addition thereto, the results of special tests conducted by the Technical Laboratory of the Federal Bureau of Investigation, indicating that sand, carbon dioxide, and possibly carbon tetrachloride may best be utilized to readily extinguish such flames as might ordinarily occur in this manner, have been furnished to officials of the Allison Engineering Company.

Investigative efforts are being continued with regard to conditions at the Allison Engineering Company, for the purpose of definitely determining the true causes in connection with suspicious occurrences. In this regard, Mr. Kreuzer has recently requested an investigation concerning certain suspicious activities on the part of an individual presently employed in the specifications room of the Allison Engineering Company.

Due to the extreme importance of the Allison Engineering Company in connection with the national defense, I instructed that a plant survey be conducted with regard to this company and its production facilities during

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November, 1939, this being one of the earliest plant surveys conducted by the Federal Bureau of Investigation in its current program of surveying plants maintained on the Army and Navy allocated facilities lists to insure utilization of adequate protective measures against espionage and sabotage activities.

I am pleased to transmit herewith, for your information, a copy of the report of Special Agent C. A. Hardison, dated November 27, 1939, at Indianapolis, Indiana, reflecting the results of the survey of Plants 1 and 2 of the Allison Engineering Company at Speedway City, Indiana. It will be noted that Plant 3, which is, of course, at the present time one of the most important of the three plants, had not been completed at the time of the above survey, for which reason a supplementary plant survey has since been conducted with regard to Plant 3, and I will, within the immediate future, furnish a copy of a report reflecting the results of the supplementary survey, for your information.

I am also transmitting herewith, for your information, a copy of the letter which I furnished to Mr. Otto F. Krusner on December 26, 1939, outlining recommendations and suggestions with regard to certain protective measures to be undertaken by the Allison Engineering Company in order to insure adequate protection against espionage and sabotage activities.

It will be noted that during the plant survey of the facilities of the Allison Engineering Company, it was discovered that in the east portion of the plant area was located a large warehouse utilized for storing great quantities of oil and clear gasoline used in motor tests. Adjacent to the warehouse was located a considerable quantity of oil-soaked metal shavings, constituting an accumulation approximately ten feet high and covering an area approximately ten feet by ten feet. Large quantities of oil had drained from these shavings and collected in pools on the ground surrounding the warehouse. A lighted match, cigarette butt, or something of the kind, carelessly or deliberately thrown into these pools of oil, might very readily have resulted in a fire, causing destruction of the

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warehouse and the fuel stored therein. Inasmuch as the test building, housing facilities for testing airplane motors, was located only twenty feet from the storage warehouse in question, an explosion of the fuel storage tanks in the warehouse probably would have resulted in complete destruction of this portion of the plant. Apparently the practice of dumping the metal shavings immediately adjacent to the warehouse in the above fashion had been practiced for a period of months. Of course, appropriate recommendations were issued in order to remedy the above situation, and I am informed by the Special Agent in Charge of my Indianapolis office that proper adjustments in this connection have been effected.

As indicated above, I shall be pleased to furnish you additional information within the immediate future concerning the results of investigative efforts in connection with the Allison Engineering Company.

Sincerely yours,

John Edgar Hoover
Director

Inclosure

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FEDERAL BUREAU OF INVESTIGATION

Form No. 1
THIS CASE ORIGINATED AT

Indianapolis, Indiana

FILE NO. 99-1

REPORT MADE AT Indianapolis, Indiana	DATE WHEN MADE 11-27-39	PERIOD FOR WHICH MADE 11/8/13-19/39	REPORT MADE BY C. A. HARDISON	S. J.
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TITLE ALLISON ENGINEERING COMPANY DIVISION; GENERAL MOTORS CORPORATION, SPEEDWAY CITY, INDIANA	CHARACTER OF CASE PLANT PROTECTION
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SYNOPSIS OF FACTS:

Survey of Allison Engineering Company Division, General Motors Corporation, Speedway City, Indiana, made November thirteenth to eighteenth inclusive, 1939.

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Details:

AT SPEEDWAY CITY, INDIANA

The Allison Engineering Company Division, General Motors Corporation, was surveyed by agent from November 13 to November 18, inclusive, 1939.

The Allison Engineering Company was founded in 1917 by JAMES ALLISON, a millionaire residing in Indianapolis, Indiana. He is now deceased but, while living, his hobby was that of developing high-speed motors for automobiles and airplanes. He was actively interested in the Indianapolis Speedway. The Allison Engineering Company was operated by JAMES ALLISON until 1929 at little or no profit. He developed the high-speed airplane motor which is now being produced by the company. During the late World War Liberty airplane motors were assembled at the Allison Engineering Company and after the war about 5,000 of these motors were reconditioned there. The General Motors Corporation took over the Allison Engineering Company in 1929 and is now the sole owner thereof, together with the patent rights obtained. The official title of the company is now: "Allison Engineering Company Division, General Motors Corporation." There are three plants, all located in Speedway City, Indiana, and designated by the company as plants one, two and three. Plant one was the only one in existence at the time

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the company was purchased by the General Motors Corporation. It is now engaged solely in the production of bearings, about eight per cent of which are used by the company in production of the airplane motors, the remainder being sold to outside sources. Plant two was constructed by the General Motors Corporation in 1936 and an addition thereto was built in 1938. At present plant two is the main plant, housing the main offices of the company and also the production as well as the development and testing of new motors goes on there. Plant three is in the process of construction. Upon completion, all production will be in plant three, as well as the general offices. Plant two will then be used only for conducting tests and developing new motors and to house the engineering department. Production in plant three will start on a very limited basis on December 1, 1939, and it is anticipated that this plant will be in full service on about March 1, 1940. Detailed descriptions of the three plants appear elsewhere in this report and although a partial survey was made of plant three, it is believed impossible at this time to make a complete survey as production is not going on there and it was still in the process of construction. It is being recommended that plant three be surveyed about March 1, 1940. Plant officials have advised that the General Motors Corporation has spared no expense in making plant three a model plant, both from the standpoint of preventing sabotage and espionage and also from the standpoint of production. It is believed that the survey of plant three, when it goes into production, might produce many ideas of value for use in future surveys.

The principal officers of the Allison Engineering Company Division, General Motors Corporation are OTTO T. KREUSSER, General Manager, RONALD HAZEN, Chief Engineer, CARL REYNOLDS, Chief Draftsman, JOHN D. WELCH, Comptroller, BERT L. KRUEAN, Production Superintendent, J. LLOYD ALLEN, Plant Engineer, WILLIAM E. MCCOY, Superintendent of Fabrication, HOBART L. WILSON, Material Supervisor, JOSEPH K. GRUBB, Superintendent Inspection Department, RAY G. KREMER, Personnel Director, and JOHN DALTON, Chief, Patrol Service. The official to be contacted in connection with plant protection is Mr. RAY G. KREMER, Personnel Director and under whose direct supervision the patrol service comes. JOHN DALTON, Chief, Patrol Service, is the person directly responsible for the guarding of the three plants. It may be stated that the above listed officials are all in charge of the operations in all three plants. Actually they consider the Allison Engineering Company Division as a single plant of the General Motors Corporation; however, for their own purposes they have sub-divided the Allison Engineering Company into plants one, two and three with the supervisory structure over all three plants. The company is engaged primarily in the production of high-speed airplane motors. The only exception to this is that plant one is engaged solely in the production of bearings, approximately eight per cent of which are used in the high-speed airplane motors, the remainder being sold commercially. The only articles being manufactured for the

Government are the high-speed airplane motors.

On November 8, 1939, a conference was held by Special Agent in Charge B. E. SACKETT at his office, attended by various plant officials of the plants to be surveyed in the State of Indiana, including Mr. RAY KREMER, Personnel Director of the Allison Engineering Division, General Motors Corporation. Mr. KREMER expressed a desire to have his plant surveyed.

On November 8, 1939, a telegram was received from Special Agent in Charge J. S. BUGAS, Detroit, Michigan, advising that C. E. MITCHELL, General Motors Corporation executive, Detroit, Michigan, desired that the Allison Engineering Company Division of that corporation be surveyed. Mr. RAY KREMER was contacted by agent on November 15, 1939, at which time the survey was started. During the entire survey agent was accompanied by Chief of Patrol Service JOHN DALTON, who was suggested by Mr. KREMER. During the survey information pertaining to official plant personnel was obtained from OTTO T. KREUSSER; concerning employees, from Mr. RAY KREMER; concerning the handling of plant business, from HERT L. KRUEAN, JOSEPH GRUBB, CARL REYNOLDS, CARL WEINBRECHT and WILLIAM LARSEN; concerning physical description of the plant, from Chief JOHN DALTON; concerning precautionary measures and protective devices, from Chief JOHN DALTON and Mr. OTTO T. KREUSSER; and concerning labor, Mr. OTTO T. KREUSSER.

Insofar as possible the outline contained in the plant protection manual is followed hereinafter:

A. OFFICIAL PLANT PERSONNEL

1. OTTO T. KREUSSER was born in 1897 in New York City. He was an army engineer during the World War stationed at Dayton, Ohio. He has been with the General Motors Corporation for seventeen years. He was employed at the General Motors proving grounds, Milford, Michigan, for about ten years and with the Fisher Body Company for about two years. He was loaned for several years by the General Motors Corporation to the Museum of Science and Industries, Chicago, Illinois, and upon completion of his service there, returned to the General Motors Corporation, serving in the research department. He was sent to the Allison Engineering Company Division of General Motors in December, 1937, as General Manager, which position he has held continuously since.

RONALD HAZEN, Chief Engineer, and Superintendent of the engineering department, was born October 3, 1897, in North Dakota, and graduated from the University of Michigan. He began his service with the General Motors Corporation in 1923, in the research department, where

he served until the early part of 1926, when he left to teach school with the Wright Airplane Company during 1926 and 1927. Upon conclusion of his service there he returned to the General Motors Corporation, with which he has served continuously since. He came to the Allison Engineering Company Division as Chief Engineer in 1933.

CARL REYNOLDS, Chief Draftsman, coming under the direct supervision of RONALD HAZEN, was born March 12, 1893, at Indianapolis, Indiana. He began work with the Allison Engineering Company in 1920. Due to slack business he was in and out of the company several times but has served continuously since 1924.

JOHN D. WELCH, Comptroller, was born in England, February 1, 1898. He is a naturalized citizen of the United States of long standing and has been with the General Motors Corporation since 1920, always in an auditing capacity. He came to the Allison Engineering Company Division in July, 1939, from the Frigidaire Corporation Division of General Motors, Dayton, Ohio.

BERT L. KRUZAN, Production Superintendent, was born October 22, 1893, in Indiana. He began work at the Allison Engineering Company July 17, 1918, and has served continuously since then.

J. LLOYD ALLEN, Plant Engineer, was born August 30, 1897, at Indianapolis, Indiana. He is a licensed architect and has been employed as an outside consultant for several years, first in 1935. He drew the plans and specifications for plant number two. He was in business for himself in Indianapolis, Indiana, from 1936 to 1938 inclusive. He was employed by the Allison Engineering Company Division, General Motors Corporation, as a full time employee in January, 1939.

WILLIAM H. MCCOY, Superintendent of Fabrication, will be superintendent of plant three upon its completion. He is 40 years of age and American born. His personnel file was not available to Mr. KREUSSER, who stated that MCCOY has been with the General Motors Corporation, to his knowledge, since August, 1919, and that he came to the Allison Engineering Company Division, May 1, 1939, from General Motors' Research Division, Detroit, Michigan.

JOSEPH K. GRUBE, Chief, Inspection Department, was born in Williamsport, Pennsylvania, November 25, 1898. He was in the ordnance department of the United States Army during the World War and came to the Allison Engineering Company in 1919, and has served continuously since.

RAY G. KREMER, Personnel Director, was born in Columbus, Indiana, February 4, 1894. He was in the United States Army during the World War and since then has done personnel work for the Kingan and Company, Stutz Automobile Company, and Marmon Automobile Company, all Indianapolis, Indiana. He began his service with the General Motors Corporation in December, 1930, as personnel director, Chevrolet Commercial Body Company, Indianapolis, Indiana, and has served continuously with that company until August 21, 1939, at which time he came to the Allison Engineering Company Division.

JOHN DALTON, Chief of Patrol Service, was born in Youngstown, Ohio, February 14, 1902. He completed high school at Youngstown, Ohio, and also completed two years of college work at Citadel College in South Carolina, where he played football. He served for six years in the Eleventh Infantry of the United States Army at Fort Benjamin Harrison, Indiana, during the years 1928-1934. He began his employment with the General Motors Corporation in March, 1935, as a patrolman at the Chevrolet Commercial Body Company, Indianapolis, Indiana, and later became Chief of Patrol Service there. While at the Chevrolet Commercial Body Company he served about two years in the accounting department and attended Indiana University Extension Division at night, taking accounting. He was chief timekeeper until September 10, 1939, when he came to the Allison Engineering Company Division as Chief of Patrol Service.

HOBART L. WILSON, Material Supervisor, was born May 19, 1896, at Portland, Indiana. He was in the United States Army Air Corps during the World War and began his employment with the Allison Engineering Company in 1922 and has served continuously since then.

All of the executives of the Allison Engineering Company Division are designated by the general headquarters of the General Motors Corporation, Detroit, Michigan. Practically all of these executives are old employees of the General Motors Corporation or were with the Allison Engineering Company for many years prior to the time it

was taken over by the General Motors Corporation. All of the above named officials, with the exception of Chief of Patrol Service JOHN DALTON, are members of the General Motors managerial, or bonus, group. It is a policy of the General Motors Corporation to pay to the members of the managerial group, in the form of bonuses, all profits in excess of seven per cent, which is paid to the stockholders. The salary checks of the managerial group are forwarded from general headquarters at Detroit, Michigan, at which place their personnel files are also maintained, except that General Manager OTTO KREUSSER maintains a personnel file on them separate and apart from the files maintained by the personnel department.

2. No reluctance on the part of plant officials to co-operate with the Government has been noticed in any manner. On the contrary, they seem anxious to co-operate and Mr. OTTO T. KREUSSER has previously called at the Indianapolis office on several occasions to discuss various problems pertaining to plant protection, espionage and sabotage, and related subjects.

B. EMPLOYEES

1. At present there are 850 employees. This includes all three plants. Approximately 100 of these are salaried employees and the remaining 750 are on a hourly rate. Approximately 200 of them are assigned to plant one, 845 to plant two, including the main office force, and 5 to plant three.
2. The requirements for appointment to any type of position are that the applicant must be an American citizen and must be fitted for the job. At the present time in plants one and two about 75% of all hourly rate employees are skilled mechanics and the other 25% are unskilled laborers. When plant three is placed in operation about 25% will be skilled mechanics and 75% unskilled labor. Applicants are required to take a physical examination given by the company physician, except that females are excluded. All old employees have been given physical examinations except the clerical employees. Appointments to all positions are made by General Manager OTTO KREUSSER upon the recommendation of Personnel Director RAY KREMER, except the executive personnel, which is designated by the General Motors Corporation's headquarters. Practically all employees taken on in recent months have been recruited from the State of Indiana, except where they have been unable to obtain certain skilled machine operators and then they

have obtained them from Detroit, Michigan, and other cities, usually from some other General Motors plant. On rare occasions they insert advertisements in newspapers in various cities, such as Detroit, Michigan, and Dayton, Ohio, where certain other plants are known to employ certain types of skilled operators which are needed by the Allison Engineering Company Division. Probably 75% of all employees were born in the State of Indiana.

3. All applicants are required to fill in an application form, a copy of which is furnished herewith to the Bureau. A recommendation as to certain additional questions to be placed on this form is being submitted.
4. The company rule is that all new employees are to be investigated before they are hired and this rule is generally adhered to; however, on occasions they have had difficulty in locating a skilled machine operator and when they were finally successful in locating such an individual, because of the demand for his services, they have placed him at work at once and he is subsequently investigated. The investigation of all new employees consists of the mailing of a form letter to the last two employers of the applicant. A sample copy of this form is furnished to the Bureau with this report. At the present time the personnel department is building up a reserve list of unskilled laborers with the view in mind of employing them when production begins in plant three. This list consists primarily of young men between the ages of 18 and 25 years and it is the plan of the company to take these young men and train them and develop them insofar as necessary into skilled mechanics. They are also conducting an educational program for these young employees. Because of the large number of such young men available for employment, the company has endeavored to use a selective process to obtain only the higher type young men. In this connection they have inaugurated a system of investigating these young men prior to their employment. They also send out, when they employ any of these young men, the above-mentioned form letter to their last two employers. The investigation is conducted not by a member of the patrol service, but by a company interviewer working under the supervision of the personnel director. A form report, for the use of the interviewer in reporting his investigation, has been compiled and a sample copy is forwarded to the Bureau with copies of this report. The investigation, briefly, consists of one or two inquiries in the neighborhood

of the applicant's home and a personal call by the interviewer at the applicant's home, at which time he interviews the applicant's mother and/or father and sizes up, as best he can, the type of family from which applicant comes and his general background.

5. All employees of all three plants are working on Government material. As a matter of fact the only material produced by plants two and three are high-speed airplane motors for the War Department. In plant number one, which is producing bearings only, there is no distinction made between Government material and commercial material, all employees working on both types.

6. There are four aliens employed. FRED T. PALMER, janitor in plant number two is English; ROBERT P. ROGERS, draftsman, engineering department, plant number two, is French; S. J. HOCK, mechanic, assembly test department, is German; GENE NARDI, machinist in plant two is French.

7. FRED T. PALMER was in the British army for thirty years. He has been employed by the Allison Engineering Company since October 13, 1938. He has been in this country for several years and he permitted his first papers to lapse without obtaining his final citizenship papers. Recently, however, he has filed his second application for his first citizenship papers.

ROBERT P. ROGERS was born in France and has been in this country for many years. He will receive his final citizenship papers in January, 1940. He has been in the employ of the Allison Engineering Company since February 27, 1939. At the time of his employment he was of the impression that he was an American citizen, his second citizenship papers having been received in Chicago, Illinois. Investigation, however, indicated that this was not true and at the suggestion of the Allison Engineering Company, he has taken the necessary steps so that he will receive his final citizenship papers in January, 1940.

S. J. HOCK was born in Germany and has taken out his first citizenship papers. He will be eligible for his final papers in approximately three years. This is HOCK's second attempt to become naturalized and he has stated that his second papers were never completed through an error on the part of the court clerk in Brook, Indiana, in 1934. He has been in the United States for several years and has been employed with the Allison Engineering Company since January 23, 1939.

HOCK is an excellent mechanic and Mr. RAY KREMER advised that he is very unpopular with other employees because he is very conceited. KREMER stated that HOCK is really a valuable and brilliant employee but is always showing off how much he knows to the embarrassment of other employees; as a result thereof there have been several rumors started about his being a German. HOCK claims that he was in the German army during the World War but that he thoroughly dislikes the present German government. When he came to the Allison Engineering Company he brought with him a large set of high priced personally owned tools; many of the employees use their own tools but some of the old employees started a rumor to the effect that HOCK must have been an engineer and have plenty of money to own such a high priced set of tools and that he was probably sent there in the capacity of a mechanic although he was an engineer, in order to obtain information. Mr. RAY KREMER believes that these rumors were started by jealous employees and that they are without foundation. Mr. KREMER stated frankly that he was sold on HOCK and believed that he was a loyal employee and would be a loyal American citizen.

GENE NARDI was born in France. He has been in this country for several years. He has taken out his first citizenship papers and will receive his final papers in January, 1940. He has been employed by the Allison Engineering Company since July 15, 1938, is a loyal employee and nothing has been discovered indicating that he might be engaged in espionage or sabotage.

Chief of Patrol Service DALTON has advised that there is one other individual in the plant whose name he wished to furnish, not that they had any information indicating that he was engaged in espionage or sabotage, but he believed his name should be made a matter of record with this Bureau. This individual is FRED G. PITZER. He is an Allison Engineering Company inspector engaged in the final inspection of bearings in plant number one. He is a naturalized American citizen and was born near Frankfurt, Germany. He is married and has four children and resides at Rural Route 6, Box 74K, which is 510 East Summer Avenue, Indianapolis, Indiana. DALTON states that according to the grapevine PITZER has a brother who is an officer in the German aviation corps and with whom he corresponds.

All of the above mentioned four alien employees are working on Government material directly with the possible exception of FRED T. PALMER, janitor in plant two, who cleans up around the machine shop at that plant, where Government material

is machined.

- 9. No special precautions are taken to prevent the alien employees from committing sabotage except that the fact that they are aliens is known to practically all the individuals with whom they work and there are certain trusted employees of the company working in close proximity to the alien employees, who will promptly report to the company any suspicious activity on the part of the aliens.
- 10. So far as is known to the management, none of the employees are members of or sympathizers with any subversive or foreign controlled organization, other than the CIO, which will be discussed later under the subject of Labor. General Manager OTTO T. KREUSSER believes it to be Communistic and under the direct supervision of the U.S.S.R.
- 11. All of the employees of the company, including the alien employees, undoubtedly have knowledge of the fact that they are working on Government material, inasmuch as practically all material produced is for the War Department. As a matter of fact, accounts appeared in the Indianapolis newspapers indicating that the Allison Engineering Company is producing airplane motors for the War Department.
- 12. Most employees are members of a group insurance plan operated by the Metropolitan Life Insurance Company for the General Motors Corporation. Membership is entirely voluntary, but a great majority of the employees belong. The policy costs \$1.98 a month and the benefits are \$2,000 straight life, \$14.00 a week for thirteen weeks sick benefit, and \$4.00 a day hospital allowance and the cost of hospitalization and surgery. All new employees are eligible after 90 days with the company. The premiums are collected by the Allison Engineering Company's management and payments are made monthly to the Metropolitan Life Insurance Company through the General Motors central office at Detroit, Michigan. A copy of the pamphlet describing this insurance plan was obtained and is being forwarded to the Bureau with this report.
- 13. All employees, without exception, are fingerprinted and photographed by company employees in the personnel department. Two copies of all fingerprints are taken and heretofore one copy has been retained by the company and the other has been forwarded to the Federal Bureau of Investigation at Washington, D. C., through the Indianapolis field office. Four copies of each photograph are made, one for each of the two fingerprint cards, one for the employee's pass and one for the personnel department's employees' record card.

- 14. There are no stipulations in any of the Government contracts forbidding the employing of alien labor; however, as a matter of policy, the company is not employing any employees who are not American citizens. The question as to whether those aliens who are now employed will be retained is under consideration by company officials.

- 15. Personnel files are maintained in the personnel department under the supervision of Mr. RAY KREMER for all employees except the managerial executives listed earlier in this report. Those individuals have personnel files which are maintained in the personal possession of Mr. OTTO T. KREUSSER, General Manager, and, of course, their main personnel files are maintained at the general headquarters of General Motors Corporation, Detroit, Michigan. Every other employee has a file at the Allison Engineering Division. This personnel file contains the employee's fingerprint card, photograph, his original application, a copy of the espionage and sabotage laws signed by the employee, a duplicate copy having been given the employee for his retention; personnel files also contain a birth certificate, that is, all new employees are required to produce a birth certificate while all old employees are being required to furnish either a copy of their birth certificate or some evidence of their birth, such as an old insurance policy, et cetera. At the present time the personnel department is studying and getting ready to draw up a set of company rules. When these rules are compiled in booklet form each employee will be given a copy. They do not plan at present to have each employee sign a copy of the rules for retention in their personnel file. Each personnel file is kept in a folder and they are filed in alphabetical order in fire-proof, locked file cabinets. In addition to the regular personnel file, there is kept in a separate file a card on each employee entitled "Employment Record." This card is simply a ready reference and more or less a condensation of the employee's personnel file. A copy of the employment card used is forwarded to the Bureau with this report.

C. HANDLING OF PLANT BUSINESS

- 1. The Allison Engineering Company is a division of the General Motors Corporation, Detroit, Michigan.

- 2. The Allison Engineering Company Division does not have any subsidiary plants.

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5. All contracts of the Allison Engineering Company Division are with the Air Corps of the United States Army for the production of high-speed airplane motors except that about 9% of the bearings produced in plant one are sold commercially. No airplane motors are sold commercially owned concerns.

4. The official plant correspondence, both incoming and outgoing, is not all reviewed or signed by the general plant manager or any one other official. As to outgoing mail, the department head or executive will dictate a letter over his own signature; his stenographer will then type the letter; he will review it and sign it. The addressed envelope is attached to the letter and the letter, as well as other outgoing correspondence, will be carried by the stenographer at the end of the day and placed in a basket on the desk of Stenographer Mrs. MARGARET LANGFORDS in the comptroller's office. There she seals and stamps the envelopes and places them in a mail pouch. CLEM OSBORNE, head of the shipping and receiving department, personally picks up the mail pouch each evening and takes it to the main post office building in Indianapolis, Indiana. The pouch has a lock thereon which is never used and is transported by OSBORNE alone in his personally owned car. Each morning while en route to work CLEM OSBORNE goes by the main post office building in Indianapolis, Indiana, and picks up all mail in Post Office Box 894, which is that of the Allison Engineering Company Division of the General Motors Corporation, and delivers it to Mrs. MARGARET LANGFORDS. Mrs. LANGFORDS, usually assisted by the personal secretary of General Manager OTTO F. KREUSSER, opens the mail in the morning, timestamps it and indicates to whom it is to be delivered. The mail is delivered to the different departments made by JOHN ALLEN, a young man employed in the blueprint room of the engineering department, who also delivers the blueprints throughout the plant. Mrs. LANGFORDS and Mr. KREUSSER's secretary have each been with the company for more than ten years and they, as well as messenger JOHN ALLEN, are considered absolutely trustworthy by Mr. KREUER. Mr. KREUER has stated, however, that the mail is handled under the present set-up in a rather sloppy manner. He stated that, although he has installed many new and modern rooms at the Allison Engineering Company, he has not as yet had the time to give serious study to the handling of company mail. He advised, however, that when the main executive offices of the company are finally moved to their new quarters in the building of plant three, they will have a regular mail and supply room which will be restricted to

one or two trustworthy employees. In addition thereto they will have one or two reliable messengers for the distribution of mail. KREMER stated that as a general rule all correspondence and blueprints in the various offices are placed in locked cabinets over night; however, occasionally some of the higher executives will leave a blueprint or one or two pieces of mail on their desks over night, particularly when they are working late in the evenings. As a matter of policy, however, it is forbidden for mail and other written matter to be left in the office on desks and tables over night.

5. & 6. Deliveries of Government material are up to schedule. The company is engaged in producing high-speed airplane motors under Government contract. It has been confidentially stated that these motors, by actual tests, have achieved a flying speed of 500 miles an hour. A majority of the motors are built for pursuit ships and small bombers and a small percentage of them are for special jobs, such as for the Bell flying fortress. The motors are all of the same general type with some slight variations. Generally the motor may be described as a V-type twelve cylinder line engine, liquid cooled. One of the outstanding features of the motor is that it is liquid cooled. A secret liquid, which in some respects is comparable to Prestone, is used for cooling the motor; this enables the motor to be almost entirely inclosed, except for the crankshaft turning the propeller, which cuts down the wind resistance of the plane tremendously. Several of these motors are utilized in planes which have the motor in the rear of the pilot.

7. The airplane motors are delivered directly to the Government inspectors of the Army Air Corps at the Allison Engineering Company plant. The Allison Engineering Company is responsible for the proper boxing and loading on the carrier. The responsibility of the company ceases the moment the carrier takes possession. All shipments are made under Government bills of lading and the Government designates whether or not the motor shall be transported by railroad, truck line, or airplane. It is left to the discretion of the Allison Engineering Company as to which railroad, truck line or airline shall be used. The Government bills of lading indicate to which airplane company the motor shall be shipped and they go to numerous airplane companies, principally located at Dayton, Ohio, and Buffalo, New York.

8. At the present time the company has two contracts with the air corps of the War Department. One of these contracts, which will expire in December, 1939, is for approximately \$1,800,000. The new contract, which began June 27, 1939, is for approximately \$20,000,000.00 and must be completed not later than 1941.
9. The Allison Engineering Company Division, insofar as its contract with the War Department is concerned, is not a subsidiary; it is the only division of the General Motors Corporation producing airplane engines and the entire value of the above-mentioned Government contracts are delegated to the Allison Engineering Company Division.
10. Broadly speaking, it may be stated that the contracts with the Government are executed entirely within the plants of the Allison Engineering Company Division; however, there are many parts, such as bolts, screws, etc., which are common to the aviation industry throughout the country, which are purchased from outside sources. All such items are readily available and can be obtained from numerous sources of supply. There are, however, two parts of the motor for which there is only one source of supply; the Stromberg carburetor is used exclusively in the airplane motors and it is produced only by the Bendix Products Division, Bendix Aviation Corporation, Stromberg Division, South Bend, Indiana. The only ignition system which may be used in the motors is made by the Scintilla magneto division of the Bendix Aviation Corporation, Sidney, New York. It is observed that both of these companies are on the list of industrial plants presently regarded by the War Department and Navy Department as having priority in the Bureau's plan for plant protection, and the Bendix Products Division, Bendix Aviation Corporation, Stromberg Division, South Bend, Indiana, is being presently surveyed by an agent of the Indianapolis office. In the production of the airplane motors the Allison Engineering Company is dependent solely for bearings received from and manufactured by its plant number one.
11. All plants of the Allison Engineering Company Division, that is, plants one, two and three, are located at Speedway City, Indiana. Generally it may be said that there are no decentralized units.

12. Plants one and two are operating at the present time at what is considered full capacity. There are two shifts, from 7:30 A.M. to 4:00 P.M., and from 4:00 P.M. to 12:30 A.M. in plants one and two. The plants are closed from 12:30 A.M. until 7:30 A.M. A third shift could be inaugurated and production stepped up, if necessary. The hours of the office workers and salaried executives are from 8:00 A.M. to 4:30 P.M. Plant three is not operating at all but will begin operations on a very limited scale December 1, 1939. It is anticipated that about March 1, 1940 the plant will be operating at full capacity, with two shifts similar to those mentioned above.

13. A. The output of plant two at the present time is eight airplane motors a month. It is anticipated that when plant three reaches peak production the output will be eight airplane motors a day.

B. The full capacity of plants one and two, as to personnel, has been reached at the present time, that is, approximately 850 employees. When plant three is in full operation about 1600 employees will be utilized there and if a third shift is inaugurated about 2400 employees will work in plant three.

14. Plant number one uses crude oil for heating facilities. It uses electricity obtained from the Indianapolis Power and Light Company as its principal source of power, in the operation of its machines and for lighting the plant. It also uses a comparatively small quantity of gas, obtained from the Citizens Gas and Coke Utility, Indianapolis, Indiana. Water from the Speedway City reservoir is utilized for drinking and manufacturing purposes.

Plant number two utilizes power of the Indianapolis Power and Light Company for the operation of its machines and for lighting the plant. This is the only source of electrical power available to the plant. It has a steam heating plant in which coal is used. A small quantity of gas from the Citizens Gas and Coke Utility, Indianapolis, Indiana, is used in the laboratory. The drinking water and that used in manufacturing processes is obtained from the Speedway City reservoir. There are no other sources of supply of gas, electricity and water for plant two.

Plant three has its own power plant in the form of five Diesel motors which will produce all electricity necessary to operate the machinery and heat the plant. It also has connections with the Indianapolis Power and Light Company, whereby it may utilize the power of that company in the

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event the Diesel motor power plant ceases to function. It has its own source of water in the form of two 65,000 gallon wells, both on the grounds of plant three, and one well is inside of the plant building. It also has a connection with the water company of Speedway City, whereby it can obtain water there, from the reservoir, in the event anything happens to the wells. Practically no gas will be used by plant three; that which is used will be obtained from the Citizens Gas and Coke Utility.

15. See 14.

16. Precision tools, including the machines in the shops of plants one, two and three have all been replaced in recent months and should last at least three or four years under hard usage. No arrangements have been made for replacing them overnight, but machinery could be purchased in small lots and some of them could be obtained, if necessary, from other General Motors plants. As to repairs of the machines, most of them could be made by the skilled mechanics and operators of the Allison Engineering Company.

17. In the event of an emergency, unskilled personnel could be rapidly replaced, inasmuch as they presently have on file the names, addresses and backgrounds of several thousand unskilled laborers. As to skilled laborers, they could be obtained largely from 38 other General Motors plants. At the present time men are being trained throughout the plant in all of the skilled positions so that there will be two or more men qualified to fill every position, generally many more than two.

18. Practically the only raw materials used in the manufacture of Government production are steel, aluminum and tin. There are numerous sources of supply for both steel and aluminum, in the United States, and the company at the present time utilizes several of these sources. It considers it very unlikely that there will be any shortage of these materials. Tin, which is important in the production of bearings by plant one, is the only material utilized which must be obtained from foreign countries. They have made it a matter of policy to keep on hand a supply for at least one year in advance.

19. No processing materials, such as chemicals, are used by the Allison Engineering Company. One of the principal treatments of the metals utilized in the manufacture of the airplane motor is the heat treatment. Probably the greatest secret which the company has pertains to metallurgy

and the treatment of the various metals that go into the airplane motor, which treatment is given the metal in order that it may stand high degrees of heat, low degrees of cold and sudden changes of both.

- 20. Government materials pass through all plant units except the heating plants, certain auxiliary buildings, and storerooms of plant two.
- 21. Plants one and two employ a night shift from 4:00 P.M. until 12:30 A.M. and the number engaged on this shift is practically equal to the number engaged on the day shift and the processes carried on are no different than those during the day shift.
- 22. In plant one the raw materials are received by a shipping clerk through Gate A; from there they are taken by a hand truck to the casting rooms, where the bearings are cast. From the casting rooms they are taken by hand trucks and placed on the floor in the machine shop next to the various machines; there the bearings are machined by several operators on several machines, depending upon the type of bearing, and it is ultimately taken by elevator to the inspection department on the second floor. There it is examined by the final company inspector and approved or sent back for salvage. It is also examined there by the Government inspectors. From there it is moved to the shipping room, on the second floor, where it is prepared for shipment to the commercial companies or to the Allison Engineering Company plant two. From the shipping room it is taken by elevator to the first floor and trucked out of Gate E. All bearings moving from plant one to plant two are hauled by an Allison Company truck.

At plant two nothing is actually manufactured, that is, they do not produce their own metal; they have no foundry here. Here the bearings from part one and material from other companies throughout the country are received and assembled into a finished high-speed airplane motor. For example, a block of aluminum will be received from the Aluminum Company of America and the pistons will be ground out and the metal treated by heat and by machine and the block will be converted into a finished airplane motor block. The parts and material received at the Allison Engineering Company from other companies are generally considered as either finished or unfinished parts. The finished parts, such as carburetors, received from the Stromberg Carburetor Company, South Bend, Indiana, usually have been inspected by the Army or Navy Inspectors prior to leaving their respective plants and have the inspector's

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seal of approval thereon at the time of arrival. These parts, as well as all other material used in the production of the airplane motors, enter plant two through Gates I or L and are promptly checked and invoiced by the shipping and receiving department. The finished parts having the army inspector's seal of approval thereon upon arrival are inspected by the Allison Company inspectors rather hurriedly to see if they have been damaged in transit and, if not, are placed in the finished part store room until such time as they are placed in a motor. Unfinished parts, such as an aluminum motor block or a piston rod, are also received at the shipping and receiving department and upon their arrival are examined by the Allison Company inspectors and a few of them are given certain tests by the Allison Company laboratory. These parts are moved from the shipping and receiving department to the various other departments, usually by hand truck. If they are rejected upon arrival, they are sent back to the company from which they came; if approved, these unfinished parts are then placed in the machine shop on the floor near the machines, where they are machined or processed and/or placed in the heat treating department for processing. After the unfinished part has been treated or processed, it goes through the company inspection department, where each part is inspected minutely. It then goes to the Government inspectors, who pass or reject it. The Government inspectors make only a spot check and do not examine each individual part. The Government inspectors use the company blueprints and usually make their inspections in the company inspection department; however, they may inspect a part at any place or time in the plant; they may pass or reject it at any time; if the part (then finished), passes the company and Government inspectors, it then goes to the finished parts room until such time as it actually is used in the assembly of a motor. In the assembly test department various new motors are assembled and tested, as are various minute parts. Upon completion of plant number three all of plant number two will be utilized for test purposes and plant number three will be utilized solely for production. In the assembly production department the airplane motors are assembled. An assembly line, such as is used in an automobile plant, is not utilized, but the motor block is placed on a stand and the parts are carried thereto and placed thereon by hand, except that certain groups of parts known as sub-assemblies, are assembled in the assembly production department and are placed on the motor in a group. After each motor is assembled, the company and Government inspectors go over it carefully. If the motor is approved, it is then given a series of tests on the torque stands. These stands are located in buildings

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designated on blueprint D as test laboratory and new test building. The torque stands are restricted areas at the times the tests are being run. One of the tests is to run a motor continuously for 24 hours. During this period of time only those individuals who have passes signed by General Manager OTTO T. KREUSSER are permitted in the torque stands. An armed guard is placed at the door of the torque stand and given a key thereto and he will not permit anyone to enter except those having passes as mentioned. If the motor satisfactorily passes the tests given on the torque stands, they are then taken into test assembly, where they are torn down and the parts inspected individually by the Government and company inspectors. It is then reassembled, reinspected by the company and Government inspectors and given a final test on the torque stand, after which it is given a final examination of the company and Government inspectors and, if approved, is shipped to the airplane factory designated by the Government on the Government bill of lading.

D. PHYSICAL DESCRIPTION OF PLANT

1. Plants one, two and three are all located in Speedway City, Indiana, which has its own city government but is practically a suburb of Indianapolis, Indiana. The eastern boundary of Speedway City coincides with the western boundary of the City of Indianapolis.
2. Plant number one occupies about two thirds of a plot of ground consisting of 1.47 acres, bounded on the north by West Thirteenth Street, on the east by Main Street, on the South by West Twelfth Street and on the West by an unpaved alley. At the present time plant number one consists of two buildings of the same design which, to all outward appearances, are one and the same building. The building occupying the northeast corner of the lot is a one story brick structure with concrete flooring 105' x 140'. The building which adjoins it is also constructed of brick and concrete. Both of these buildings have been constructed in about 1917; this latter building has a second floor, the flooring of which is of wood. From the inside and outside the two buildings appear to be one and this latter building measures 60' x 80'. Practically all of the first floor west walls of these buildings at the present time are out and large pasteboards have been substituted due to the fact that an addition, the approximate size of the present two buildings, is in the process of construction. Although the entire lot is fenced with 7' heavy steel wire fence, with three strands of barbed wire on the top, as are all lots on which the

three plants are located, the east, north and west sides of plant one are only a distance of approximately three feet from the sidewalk or alley which surrounds them.

Plant two occupies about one-third of a plot of land consisting of 13.5 acres, which is bounded on the north by Gilman Street, on the west by Main Street, on the south by the Baltimore and Ohio Railroad property, and on the west by a joint right of way owned by the Baltimore and Ohio and P. & B. Railroads. The principal building is in fact two adjoining buildings of the same type construction and architecture and to all appearances is only one building and hereinafter will be referred to as the main building. It is a modern one-story brick, steel and concrete structure reported to be almost 100% fireproof. The eastern half of the building was constructed in 1936 and the western half in 1938. Adjoined to this building on the south by a passageway and of the same type construction, and considered part thereof, is a building housing the three torque stands on which the airplane motors are tested. The boiler house is also part of this same structure. In the main building of plant two are housed the main offices, the engineering department, the machine shop or production department, the heat treatment room, the production assembly department, the test assembly department, the inspection department, the laboratory and Government inspector's office. A rough drawing, showing the inside arrangement of this building as well as that of plant two is submitted with this report. In this building the airplane motors are actually produced. However, upon completion of plant three, plant two will be utilized only for developing and testing motors and plant three will be the production unit. Plant two also has what has been designated on the blueprint submitted as "New Test Building." This is in the same inclosure as the main building and about 25 yards to the southeast thereof. It is a brick structure now under construction and will contain three torque stands for testing motors. A spur track of the Baltimore and Ohio Railroad runs in back of on the south of the main building and the New Test Building. Plant two also has several temporary one-story frame or metal structures in the same inclosure and about 25 feet east of the main building. One of these is the structure shown on blueprints submitted as "Steel House." This is used to store motor oil and quantities of special grade clear gasoline used in running tests on the motors. This building will be referred to later on as a fire hazard. Another of these buildings is designated on the blueprint as "Storage." This is a frame one story structure divided into three equal

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parts as to area. The north part is a tool crib and the office of the maintenance department and here certain fire apparatus, described hereinafter, is stored. The middle part is a shipping and receiving department and the south part is a machine shop which does special burring on bearings. Another of these temporary buildings is a one-story sheet metal structure shown on the blueprint as "Employment Office." It is used as an employment office and for the headquarters of the patrol service and personnel department. A low 4' fence, also shown on the blueprint, runs from Gate I to the cyclone fence at the rear of the employment office. There is a gate in this fence on the south side of the employment office which is always open and there is no lock thereon. At the rear of the test laboratory are the electric power transformers surrounded by an 8' wire fence with a gate which is locked. There is also located near the transformers a temporary pumphouse and grid house for the gasoline tanks that are buried nearby. Outlet pipes to the gasoline storage tanks are above ground and locked closed. The north side or front of the main office building is about 8' distant from the sidewalk on Gilman Street.

Plant number three is in the process of construction. It will be partially completed by December 1, 1939, at which time production will start on a very limited basis. The General Motors Corporation has endeavored to make this a model plant and it was built with the idea in mind of preventing sabotage as well as attaining good results along the production line. Chief of Patrol Service JOHN DALTON advised that he has been assured by the general manager that he need spare no expense in protecting this plant. They plan to utilize the most modern equipment available which is practicable. Upon completion of this plant the main office will move from plant two to plant three. Plant three is a one story brick and metal structure said to be 100% fireproof. The main offices will be located adjacent to and in front of the production part of the plant and will consist of three floors. The ceiling in the production part of the plant is approximately 20' high and the part in which the main office will be housed is about 30' high. The lower two floors will be utilized by the main offices and the third floor will be a cafeteria for the use of all employees. The plant is located in a 90 acre lot and faces north on Tenth Street. It is bounded on the east by Grand Avenue, on the south by Indianapolis City Park and on the west and southwest by Coasal Road. The plant has no windows except on the north side where the

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main offices will be located. It is lighted through artificial electric light and has an artificial cooling system. The light, gas, electricity and water system has been described elsewhere. A spur track of the Baltimore and Ohio Railroad also enters this plot at the northeast corner. At the southeast corner are located three torque stands in a building of similar construction, connected with the main building in a manner similar to which the torque stands, or test building, are connected with plant two. Plant three will also have one other structure, a small one-story brick building located at Gate D, for the use of the patrol service. There will be no recreation room in plant three and the employees' lockers will be located around the walls of the building, near the departments in which they work. Each department will be separated by a cage from the adjoining departments. Blueprints of plant three, as well as the other plants, are being submitted with this report.

3. The following blueprints and drawings are being forwarded to the Bureau of plants one, two and three: blueprint marked on the back as A is a floor plan of the east side of plant number three of the Allison Engineering Division of General Motors Corporation, Speedway City, Indiana. This blueprint was furnished by Mr. WILLIAM LARSEN and for study should be placed next to blueprint marked B, where indicated. The blueprint marked B on the back is the floor plan of plant number three of the Allison Engineering Company Division, General Motors Corporation, Speedway City, Indiana, except for the east side of the plant which is reflected in blueprint A. This blueprint was also furnished by Mr. WILLIAM LARSEN. Blueprint marked C on the back is of the grounds and buildings of plant number three of the Allison Engineering Company Division of General Motors Corporation, Speedway City, Indiana, showing its relative position to plant number two. It also shows the location of all fences, as well as water, gas and power lines. The power lines of plants number three and two are underground. Blueprint marked D on the back is of the grounds and buildings of plants number one and two of the Allison Engineering Company Division of General Motors Corporation, showing fences and also water, gas and power lines. Blueprints C and D were furnished by Personnel Director RAY KREMER. All of the above blueprints are, of course, strictly confidential. The blueprint files of the company indicated that these prints were furnished to the Federal Bureau of Investigation. Drawing marked E on the back is a rough sketch drawing prepared by agent, showing the inside floor plan of the plant number two of Allison Engineering Company Division.

General Motors Corporation. Drawing marked F on the back is a rough sketch drawing showing the inside floor plan of the first floor of plant number one. The drawing marked G on the back is a rough sketch drawing prepared by agent, showing the inside floor plan of the second floor of plant number one.

4. There are three offices in plant one and ten offices in plant two. All of the executive offices will be located in plant three when that plant starts production. The exact number of these offices is unknown at this time.

5. There are five entrances to plant one and for reference purposes they have been marked by agent A, B, C, D, and E on the blueprints submitted. Gate A is 12' wide, faces on Main Street, and it is through this gate that all raw material for plant one is delivered. Gate B is 6' wide and opens on Main Street. All employees are required to enter and leave plant one through this gate. Gate C is a 6' gate opening on Main Street, and all visitors and persons other than employees having business with the plant are required to enter through this gate. Gate D is a 12' gate opening on Twelfth Street, which at present is kept locked at all times; however, upon completion of construction work on plant one the southeast corner of the lot will be used as an employees' parking lot and Gate D will be the entrance gate to that lot. Gate E is a 12' gate opening on Twelfth Street and at the present time all material and employees used on the construction job enter at this gate.

There are seven entrances to plant two which have been marked by agent on blueprints submitted as F, G, H, I, J and Z. Gate F is a 12' gate opening on Gilman Street and is the entrance to the office employees' parking lot. There is no entrance from the parking lot to the buildings proper and all persons entering must also leave by Gate F. Gate G is a three foot gate opening on Gilman Street. This gate is the entrance to the main office and all visitors and other persons other than employees must enter through Gate G. Gate H is a 9' gate opening on Gilman Street and all employees must enter and leave the plant through Gate H, the time clock being located just inside this gate. Gate I is a 12' gate facing on Gilman Street. Through this gate all trucks must enter and leave; also through this gate all applicants must pass and enter the employment office nearby. They are also required to leave by this same gate. A 4' wire fence runs from Gate I to the surrounding 7' fence just

to the east of the employment office, in other words, this 4' wire fence separates the employment office, which also houses the personnel department and the patrol service, from the remainder of the grounds of plant two. On the south side of this 4' fence is a gate marked by agent on the blueprints as K. This gate remains open and inasmuch as applicants are not given passes at the time they enter the gate marked I to go to the employment office, it would be comparatively simple for them to walk past the employment office and, without being observed by the guards, go through gate K into the grounds of plant two. Gate J is a 12' gate opening on Gilman Street and is an entrance to the parking lot for all company employees other than office employees, this parking lot being located in the northeast corner of the grounds of plant two and is completely fenced in by a 7' cyclone type fence, except for the entrance at Gate J. Gate L is a 4' gate opening between the parking lot for employees other than office workers and the grounds of plant two. This gate has never been used and remains locked at all times. Gate Z is located at the southeast corner of the grounds of plant three. It is beneath this gate that a spur track of the Baltimore and Ohio Railroad runs into plant two. This gate remains locked at all times except when a freight train is leaving or entering and arrangements have been perfected with the yardmaster of the Baltimore and Ohio Railroad whereby he telephones the chief of the patrol service prior to the time any switching is to be done through this gate. There are four entrances to plant three which are designated on the blueprint submitted by agent as G, H, O and F. Gate I is a 12' gate facing on Tenth Street and when production is underway at plant three this gate will be used as an entrance gate for office employees only. At the present time it is being used to truck in material used in construction. Gate N is a 12' gate facing on Coasel Road and this gate will be used for the entrance of all employees other than office employees and will lead directly to the parking lot set aside for such employees. Gate O consists of two 12' gates facing on Grande Avenue. Through these gates will be shipped all materials to be used at the plant. Located at this gate is the patrol service headquarters house. Gate P opens on Tenth Street and is the entrance for a spur track of the Baltimore and Ohio Railroad. Tentative plans are for a driveway with two gates to be constructed leading from Tenth Street to the main offices of plant three; however, at the present time the gateways have not been cut out of the fence.

No particular protection is given windows and skylights, through which entrances might be made to any of the plant

buildings, except that the guards are instructed to be on the alert to notice any breakage or open windows after hours and to promptly investigate them. Plant three will have no windows except those on the north side for the main offices.

7. All of the lots of plants one, two and three, including the various parking lots, are surrounded by a 7' heavy wire fence with three strands of barbed wire above that, similar to cyclone fencing. The fence used by the company was manufactured by the Ford Fencing Company, Indianapolis, Indiana, and its trade name is "Ford Fencos." The gates are of similar construction and are locked with padlocks. At the present time the company is acquiring a new type padlock, the tumblers of which may be removed and adjusted whenever desired.

8. The lighting system for plants one, two and three is entirely electrical, inside and out. Plant three has the latest form of artificial electrical lights, similar in structure to the neon sign lights. Plant one has numerous windows throughout, but no skylights. Plant two has numerous outside windows and also two large skylights. The outside lighting of the three plants is described elsewhere. Plants one and two have large floodlights located on each corner of the main buildings and they, with the surrounding street lights, furnish adequate lighting for the outside of those two plants. The present plan is for plant three to have indirect lighting so that floodlights would shine on the building rather than away from it. It is also planned to have floodlights shining on the fences surrounding plant three.

9. At the present time plant one has no parking facilities for its employees. However, upon completion of the construction work at that plant, all employees will have a parking lot located at the southeast corner of the lot. This lot is entirely fenced in. Plant two has two parking lots, one at the west side of the plant for office employees, the entrance to which is through Gate F. This lot is completely fenced with Ford fence and the gate is unguarded and remains open from 7:00 A.M. to 12:30 A.M. No stickers or other means of identification are placed on the cars of office employees to distinguish them from any other cars. There is no fence or other obstruction between the west side of the main building of plant two and this parking lot. At the present time anyone may drive a car into this lot between the hours of 7:00 A.M. and 12:30 A.M. and park it against the building. Plant two has another parking lot at the west side of the lot for all employees other than office employees.

Entrance to this parking lot is through Gate J and it is fenced on all four sides by the above-described 7' Ford fence. Plant three when completed will have two separate parking lots, one located at the northwest corner of the lot for office employees and another at the southeast corner for all employees other than factory employees. Both of these lots will be fenced on all four sides by similar fencing.

10. & 11. There are no official plant cars at the present time and all of the executives either park their cars on the street or in the parking lot at the west side of plant two. At the present time parking is permitted on all the streets surrounding plant one as well as those surrounding plant two except that on the south side of Gilman Street, in front of plant two, parking is restricted to two hours. It will be observed that cars may be parked on the streets surrounding plants one and two in numerous positions and not be a distance of more than ten feet from the actual plant buildings. Plant one has no dining or recreation rooms. The employees eat their lunch or dinner in the shops or offices where they work. During their lunch and dinner periods in the machine shop they generally gather and play cards. The lavatory of plant one is located in such a position that it is necessary for anyone entering the lavatory to go through the machine shop. There is, however, another lavatory located on the second floor, used by the office employees and situated in such a manner that it is not necessary for them to go through any other department to reach it. Plant two has no dining or recreation rooms. The employees there eat at their work benches and usually play cards during their lunch and dinner hours. The lavatory is located in such a position that it may be entered either from the machine shop or from the production assembly department. There is also another lavatory located in the executive group of offices in such a position that it is unnecessary to go through any other department to reach it. In plant three all of the various departments will be in separate rooms or will be caged in with a wire mesh fence, with corridors running between the various departments. It will be unnecessary, in going from one department to another, to pass through any other department. The lavatories and cafeteria will be located so that it will be unnecessary to

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go through any other departments to reach them.

12. No buildings of questionable character were noticed adjoining the plant property which could be used as a headquarters for sabotage or espionage activities. Broadly, it may be stated that all three plants are in rural areas.

E. PRECAUTIONARY MEASURES AND PROTECTIVE DEVICES

1. There are seven departments having general jurisdiction in all three departments. They are the purchasing department, engineering department, inspection department, accounting department, personnel department, plant or maintenance department and production department.
2. The company guard service is known as the patrol service and consists of uniformed patrolmen with special police powers. Each guard is required to purchase with his own funds a .38 police positive special revolver. The guards wear a blue police uniform with Sam Brown belt and holster. Sidearms are not carried by the guards during the day shift except that those guards on special detail, such as guarding the motorway, carry their guns during the day. The patrol service uniforms consist of cap, coat and trousers and blue Mackinaw. A nickel badge appears on the coat and cap, reading Allison Division, General Motors Corporation, Special Police, (if a patrolman, his number and if an officer, his rank) Indianapolis, Indiana." The patrol service has three shifts, from 7:00 A.M. to 3:00 P.M.; from 3:00 P.M. until 11:00 P.M.; and from 11:00 P.M. until 7:00 A.M. Although plants one, two and three are located outside of the city limits of Indianapolis, Indiana, they are within Marion County and through a special dispensation received from Sheriff AL FEENEY of Marion County, all the members of the patrol service are designated as special police officers by the Indianapolis police department. Their only police power, which is similar to that of any other police officer, can only be exercised on company property; however, the company has received special permission from Chief of Police MICHAEL MORRISSEY, Indianapolis, Indiana, to carry their revolvers to and from work provided that they carry their guns only when in full uniform. Arrangements have been perfected whereby the Indianapolis police department will respond to any emergency call and furnish any number of men needed, rather than the sheriff's office. This was done because Sheriff AL FEENEY advised that he did not have a sufficient number of men to meet any real emergency. Each revolver belonging to a member of the patrol service is registered at the Indianapolis, Indiana, police department and also

in the records of the personnel department of the company, which records are maintained by Chief JOHN DALTON under the supervision of Personnel Director RAY KREMER. In addition thereto, each gun is also registered to the guard having possession in a separate gun register maintained by Chief of Patrol Service DALTON. Chief DALTON also keeps in the files of the personnel department the special police power certificate issued to each guard by the Indianapolis, Indiana, police department. He stated that prior to the issuance of such a certificate the Indianapolis police department made a thorough investigation and two of his men were turned down because of prior criminal records, one of them being a misdemeanor of over ten years standing. These men were discharged. Each member of the patrol service is bonded to the company for \$1,000 and to the Indianapolis police department for \$1,000. The patrol service is composed of 20 patrolmen, 7 sergeants and one chief. It is anticipated that when plant three goes into production the guard service will be increased to about 45 men. The patrol service at present receives instructions in revolver shooting from Instructor SMITH of the Indianapolis police department. The patrol service has a five-man pistol team and has engaged in a few matches. The present plan by General Manager OTTO T. KRKUSSEK, a firearms enthusiast, is to construct an outdoor pistol range for the patrol service on the grounds of plant three. At the present time one sergeant is in charge of each shift at plants one and two and a similar set-up will be maintained at plant three later on. The guards are utilized for gate service, for patrol service of the outside fences as well as all rooms in the plant buildings, and for special guard duty. No plainclothesmen are used. At the present time the patrol service includes among its personnel five former Indiana State Police officers, eight former soldiers in the United States Army and one radio technician. Radio is not utilized by the patrol service at this time but it may possibly be at a later date. The base pay for patrolman is \$165.00 a month and for sergeants \$165.00 a month. Members of the patrol service are given three General Motors Corporation manuals on fire protection, patrol service and safety protection. Written examinations are given periodically by Chief DALTON on the three manuals. A sample examination on fire protection was furnished to agent and is being forwarded with copies of this report. Chief DALTON also makes out efficiency reports on each of the members of the patrol service and a copy of the efficiency report form was obtained and is forwarded to the Bureau herewith. No member of the patrol service was permitted to carry a firearm until Chief DALTON was satisfied that he was capable of handling it. In addition to the team pistol shooting, those who Chief DALTON thinks need instruction are given it once a week at Tomlinson Hall by Police Instructor HARRY SMITH. The uniformed patrol service was inaugurated on September 10, 1939, when Chief JOHN DALTON came to the Allison Engineering Company Division. Prior to that time they had what DALTON described as a sort of combination

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janitor and guard service whereby the janitors took turns sweeping and supposedly guarding the gates.

3. The General Motors Corporation policy requires that all members of the patrol service at the time of employment be between the ages of 25 and 35 years, preferably married and of good moral character. They are required to possess a minimum height of 5' 9" and a minimum weight of 160 pounds; however, this rule is flexible, particularly as to age limits and if they can find an unusually good man, they will employ him even if over 35 years. At the present time the patrol service has two men over 40 years and none under 25 years. Each applicant for a position with the patrol service is investigated by the company employment investigator in a manner similar to the investigation of other applicants, that is, a form letter is dispatched to his two former employers. However when a member of the patrol service applies for special police power with the Indianapolis police department, as all of them are required to do, he is fingerprinted and photographed by the Indianapolis police department and his prints are sent to the Federal Bureau of Investigation. He is also investigated by the Indianapolis police department and before he can receive his certificate of special police power he must be recommended by Chief of Police MICHAEL MORRISSEY and Chief MORRISSEY's recommendation must be approved by the Indianapolis Board of Safety. At the present time a brother of the secretary to Chief of Police MICHAEL MORRISSEY is a member of the patrol service. Chief DALTON has advised that he has been swamped with applications for positions with the patrol service from present members of the Indiana State Police. He believes this is due largely to the fact that his entrance salary is \$55.00 a month more than that of the Indiana State Police.
4. In addition to the uniforms and revolvers mentioned above, each member of the patrol service is furnished with a flashlight and a night stick. However, they seldom carry the night sticks. All of their equipment having been purchased since September 1, 1939, it was observed to be in very good condition.
5. As mentioned above, all of the three plant lots are fenced with Ford fence and no outside gates are left open through which access may be gained to the plant except those entrances where guards are stationed.
6. No casual visitors are permitted in the plants. If an outsider has business in any of the plants, he is always escorted by a guard or an official of the company and wears an appropriate tag. The same systems are utilized in plants one and two and generally the same system will be utilized in plant three upon completion of construction.

A. Every employee has a badge bearing an individual number and also an identification card bearing his photograph, signature, fingerprints of the left and right index fingers, badge number, pass number, age, height, weight, color of hair and eyes, date employed and the General Motors Corporation stamp on the card in such a manner as to place part of its impression on the photograph. It is also signed by Personnel Director RAY KREMER. At the present time a new badge is being made and all of the old badges will be called in and a new badge issued to each and every employee. This badge will be about one inch square and will bear the following inscription: "Allison, — General Motors Corporation, Indianapolis, Indiana," and thereon will appear two numbers, for example 266/032. The figure two of the number 266 will indicate the plant to which the employee is assigned. 66 will indicate the number of the department to which he is assigned and the 032, or any number under 400 or some other arbitrary number, will indicate that he is on the day shift and if over 400 will indicate that he is on the night shift. All employees from the General Manager on down are required to check in and out of the plant by time clock. All factory employees in plant one must use Gate B, referred to heretofore; all office employees in plant one must use Gate C; all factory employees in plant two are required to use Gate H and all office employees in plant two are required to use Gate G. A similar system will be used in plant three. No employees are permitted to use the truck entrances; however, all applicants at the present time use the truck entrance, I, at plant two and call at the employment office. They are not given passes or badges of any kind and are simply instructed by the guard at Gate I to go into the employment office and see Mr. KREMER or one of his assistants. The names of these applicants are not taken at the gate and there is no definite check to ascertain whether or not they leave the plant grounds. As it has been pointed out before, it is possible for them to walk through the gate designated as K, surround the employment office and go out into the plant grounds. However, it should be pointed out that Gate I is only approximately a distance of approximately 15' from the employment office but the entrance to the employment office is on the south side and around the southwest corner of the employment office in such a manner that the guard at Gate I cannot see the entrance thereto. It is understood that in plant three the employment office for all three plants will be located in the front of the building with the main offices and will be arranged in such a manner that when no interviews are being given, the gate on Tenth Street will be closed and applicants will

not be permitted to come inside of the fenced inclosures. All employees are required to leave by the same door that they enter and must necessarily do so, inasmuch as they are requested to punch a time clock when they leave.

The employee's personnel file shows the number of his badge and identification card. In addition thereto there is maintained in the personnel department a card index in straight numerical sequence, listing the identification card, number and the name of the employee. A card index is also maintained for each badge, this index being broken down first as to issued and unissued passes, then by plants and then numerically.

There are also issued, in addition to the badges and identification cards, 50 supervisors' pass cards bearing the supervisors' names, addresses, pass numbers, signatures and signed and approved by General Manager OTTO T. KREUSSER. It also bears a red star stamped thereon, indicating that it was authorized by Personnel Director RAY KREMER. These are generally referred to as white passes and admit the bearer to any plant at any time; however, if he enters the plants or offices at irregular hours, he must sign the register. The present arrangements are for the Government inspectors working at the plant to be issued these white passes. At the present time they are issued only to company employees. At present there are 12 Government inspectors working at the plant. They are not required to have any badge or to wear any other identifying mark. They are admitted to any place in the plant on their War Department credential card. It is pointed out here that under this procedure any Government inspector of the War Department, no matter to which company he might be assigned, might enter the Allison Engineering Company Division and all of its buildings upon his War Department credential card alone. The guards have been instructed to admit agents of the Federal Bureau of Investigation to any place in the plant upon their displaying their Government credential cards. This also appears to be an undesirable practice. A record of all the so-called white passes is kept in a registry book in the personnel department.

- B. There are practically no visitors to plant one and those who are there must obtain the regular permission from the main offices at plant two before being admitted to plant one. If a visitor has business at plant one or plant two he calls at the lobby of the main office at plant two

where there are located a guard and a switchboard operator. Everyone who enters there, other than regular office employees who punch a clock, must sign the register, which sets out his name, the company he represents, the official he desires to see at the Allison Engineering Company, the time of his entrance and the time of his departure. The switchboard operator then telephones the official whom they wish to see and if the official agrees to see the caller he is then escorted by a guard to the official's office. All such callers are given a four inch red card pass bearing a number and it is placed on his coat lapel, at the time he enters the plant. When the call is over, the official whom the visitor has contacted calls the guard at the front lobby (Gate G) and the guard goes to his office and escorts the visitor out of the building. The guard at this time takes back the pass from the caller. The passes are numbered in sequence and the number of the pass is written on the register opposite the caller's name and the guard checks the register to indicate that he has taken back the pass when the caller leaves. The name of the official whom the caller is to see is written on the pass at the time it is given to the caller and each pass is destroyed by the guard after he takes it from the caller, at the time he leaves. In other words, the same numbered pass is never issued twice. The passes are bought in lots of 5,000, numbered in numerical sequence. They are kept locked up in a fireproof cabinet in back of the switchboard and no one has a key to the cabinet except the patrol service. The patrolman on duty has one key and the others are kept in a master key file by Chief DALTON in the personnel department. When a patrolman goes off duty he gives all of his keys to his sergeant, who gives them to the sergeant in charge of the night shift. Only office employees may enter Gate G at plant two. A guard is on duty at this entrance, as mentioned above, during regular business hours, from 7:30 A.M. to 6:30 P.M., after which the door is locked and anyone who enters or leaves between 6:30 P.M. and 7:30 A.M. must use the factory employees' gate (H) where a guard is on duty 24 hours a day.

7.

Chief of Patrol Service JOHN DALTON advised that if the Allison Engineering Company Division employed any undercover operatives, he does not know their identity and if such are employed, they are undoubtedly sent there from the headquarters of the General Motors Corporation. General Manager HOTO F. KREUSSER stated that it would, of course, be impossible for any large company to operate without some sort of informant

among its employees. He stated that he is not permitted by law at this time to place paid informants in the plant because they have been marked as labor spies. Both he and Chief DALTON stated, however, that there are older employees of the company who, because of their loyalty, come to them and furnish them with information as to the activities of other employees. Mr. KREUSSER was of the opinion that since he is now restricted by law from placing so-called labor spies in the plants, the Federal Bureau of Investigation should place undercover men therein for this reason. If he were utilizing so-called labor spies, they would also be furnishing him any information which they developed concerning sabotage and espionage, in addition to the other types of information which they usually furnished about employees and union activities. Therefore, since he is unable to utilize the so-called labor spies, he believes that the only really satisfactory and most effective manner to combat sabotage and espionage within the plant is the placement of agents of the Federal Bureau of Investigation therein undercover. He stated that he had no desire to know who any such agents were but that if the Bureau wanted his help in that connection, he would very readily, and with the utmost secrecy, make arrangements for their being employed in the plants in strategic positions.

- 8. There is no private detective agency working at any of the plants of the Allison Engineering Company Division.
- 9. The only evidence of sabotage has already been reported to the Indianapolis office of the Federal Bureau of Investigation and the details thereof have been reported to the Bureau in the case entitled: "UNKNOWN SUBJECTS; Conditions at Allison Engineering Company, Indianapolis, Indiana; SABOTAGE," Indianapolis file 65-29.
- 10. There is no official mail room at the Allison Engineering Company although there will be when their new offices are located in plant three. A description of the manner in which mail is handled by the Allison Engineering Company has previously been set out in C4.
- 11. No particular protection is given the material leaving the plants by truck or railroad or mail from espionage or sabotage. The manner in which mail is handled has been pointed out elsewhere. No material leaves the plants by water. It has been pointed out elsewhere that the responsibility of the Allison Engineering Company Division ceases at the moment the motors are turned over to the common carrier. Most all

of the motors are shipped to the airplane companies under Government bills of lading by either air, rail or truck, whichever the Government designates on the bill of lading; however, the Allison Engineering Company selects which trucking company, railroad or airline shall do the transporting. The motors are placed in sealed crates and after being turned over to the trucking company no protection is given them by the Allison Engineering Company. Motors shipped by rail are also sealed in crates and placed in boxcars on the Baltimore and Ohio spur tracks coming within the grounds of plant two or plant three. After the motors are placed in the freight cars, a seal is placed on the door of the car and the Allison Engineering Company offers no further protection thereto. The only inspection made of the railroad cars is that at the time they first enter the grounds at the plant, they are inspected on the outside to see that no bums or trespassers are concealed thereon. The inside of the cars are not inspected by employees of the Allison Engineering Company, either before or after the motors are placed therein. Those motors which are sent by air are placed in sealed crates and trucked by a truck of the Allison Engineering Company to the Indianapolis Airport, where they are placed upon an airliner. No protection is given the motor from the time it leaves the Allison Engineering Company plant in the truck except that the driver of the truck and a helper accompany the motor to the airport. Cars do not accompany the motor to the airport.

12. The receiving and loading platforms of plants one, two and three are within the fenced areas and other than that no particular protection has been given them against sabotage or espionage. The same system of issuing truck passes and the admission of material is employed in plants one and two. All trucks entering the grounds of plant one or two are issued a gate pass. These passes are numbered in numerical sequence and are made out by the guard, in duplicate, at the time the truck enters the gate. These passes are dated and show the plant number, the time in, time out and name of the trucking company. At the time the trucks enter, a rather casual examination is made of the truck by the guard, primarily to see that there is nothing therein except merchandise. At plant one the shipping and receiving department takes all material at Gate A and the trucks do not actually enter the building but back up across the sidewalk. At plant two all material trucked in goes through Gate I to the shipping and receiving department,

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which is located approximately 100 feet from Gate I and in full sight of the guard on Gate I. One copy of the gate pass is kept by the guard and the other is delivered by the driver of the truck to the clerk of the shipping and receiving department. He notes on the gate pass the articles received or shipped out and the time out. The copy of the gate pass signed by the shipping clerk is picked up by the guard on the gate at the time the truck leaves. Shipping reports by the shipping and receiving clerk are furnished to the accounting department and the original gate pass also goes to the accounting department and the gate pass is checked by the accounting department against the shipping reports. The shipping clerk is required to place on the back of the gate pass substantially the same information which appears on the shipping report. The duplicate gate pass is retained by the patrol service and is kept on file for a period of 60 days after which it is destroyed. No pass, other than the gate pass, is given to the driver of the truck or any of his helpers and the guard does not check the invoices or other papers of the truck driver at the time he enters or leaves the plant. Copies of the original and duplicate gate passes have been obtained and are being forwarded to the Bureau.

It is a General Motors Corporation policy for the patrol service to examine all outgoing packages being carried physically out of the plant; however, those that are shipped out by truck or otherwise are not examined by the patrol service. Incoming packages, whether being carried physically or on trucks, are not inspected. Chief of Patrol Service DALTON thinks it would be next to impossible to check each package on a truck coming in. At the present time the shipping clerk is supposed to check all outgoing packages leaving by truck and make sure the truck driver does not take out anything that does not belong to him. All outgoing shipments by train within the plant confines are checked by the shipping department. The Baltimore and Ohio spur tracks which run into plants two and three come directly from the Morfield yards located in west Indianapolis at about the 1800 block of Washington and Michigan Streets.

- 13. There are no finished products stored in warehouses off the plant property.
- 14. The plants have no sharf.

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15.

CARL REYNOLDS, chief draftman, engineering department, located in plant two, has charge of the blueprints. Several of the motors produced by the Allison Engineering Company have as many as 6300 parts and over 1,000 different parts. There is an original and also at least four blueprints for each part. The loss of one or a group of prints would be relatively unimportant from a point of espionage or sabotage. The plant officials estimate that if someone stole all the prints of the various parts, it would take them several years to set up a plant and acquire the necessary precision tools and machinery which would enable them to produce the motor. The really important thing and without which the motors could not be produced is the shop technique. This is a matter which is never put in writing and probably could not be. For example, the blueprints or specifications may call for a perfectly round ball bearing, but through certain tests it is ascertained that this type of ball bearing reacts in a certain manner under high degrees of heat, therefore, in order to allow for the reaction, the bearing may be made one thousandth of an inch off center which will be taken care of when the bearing is placed in the motor and heated in that the bearing will then be absolutely round. It has been estimated that even with a complete set of prints and the necessary tools, it would probably take a year and a half or two years to develop the proper shop technique. The original tracings from which all the blueprints are made and from which they can be reproduced are filed in fireproof cabinets in a room of the engineering department having no windows and only one door, which opens into the engineering department. This door is metal except that the upper half is composed of wire safety glass. CARL REYNOLDS keeps in his personal possession the only keys to this room and to the cabinets therein where the tracings are kept. Also kept in fireproof cabinets in the same room are the tracings and the only blueprints which might be of any possible use to a espionage agent. They are known as the master assembly prints and the master installation prints. These prints roughly show cross section views of the motors and the relative positions of the parts contained therein. Generally these master installation and master assembly prints are never issued to anyone in the plant, but are made available to the Government inspectors who frequently call for them when they are making the final inspection of a motor before it is accepted by the Government and shipped out of the plant. The blueprints themselves are made in the drafting room of the engineering department.

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Ordinarily four prints are made of each tracing. CARL REYNOLDS checks to make sure that no extra copies are made by measuring the amount of blueprint paper used in reproducing the four copies. Of the four blueprints made of each part, one goes in a master blueprint file contained in a locked metal file cabinet in an area of the engineering department surrounded by a 6' wire cage with a teller's cage and one door, which is kept locked. A file clerk stands in this cage and whenever anyone in the engineering department wants a blueprint, he fills out a chargeout, which is inserted in the file in place of the print. These chargeouts in the master blueprint file are checked periodically to make sure that all prints are returned. Blueprints are left on the drawing tables in the engineering department over night. CARL REYNOLDS advised that the theft of prints left on the drawing tables over night would probably cause less trouble than it would take to charge them in and out each night and morning to the numerous employees. One or more copies of each blueprint for a part goes to the production department, which includes the machine shop, laboratory, test assembly, production assembly and heat treating room. Each copy sent to production is marked 1, 2, 3, 4, etc. so that every copy may be distinguished from every other copy. A card index is maintained in the engineering department on each blueprint, the cards being filed by number and showing to whom the blueprints were sent, when, and what copies were sent. What happens to the prints in production is not the responsibility of the engineering department except that they occasionally make checks of their chargeout system to ascertain whether or not they have all been returned. When production finishes with the blueprints, they are returned to the engineering department; a proper notation is made on the index cards and if production on that particular part is completed all copies are destroyed except the master copy. The destroyed blueprints are not placed in the trash, but are burned by JOHN ALLEN, an employee of the engineering department who delivers all blueprints throughout the plant and who also, as mentioned elsewhere, distributes mail throughout the plant. One copy of all blueprints goes to the inspection department and a similar procedure is followed there, insofar as the engineering department is concerned, that is, the engineering department checks occasionally to see that the blueprints have been returned and when they are, they are destroyed. One copy of all blueprints is sent to the Government inspectors. These inspectors are

not absolutely required to return the blueprint but generally do. On a few rare occasions they keep the prints for their own official purposes. Occasionally sub-contractors, such as the Stromberg Carburetor Company, will request certain blueprints, as will some of the airplane companies using the Allison motors. These blueprints are mailed to them after CARL REYNOLDS has ascertained that the company making the request is on the approved list of the War Department. In addition to the numerical card index maintained on each such print, another card is kept on each company making such a request so that the engineering department can tell at any time which prints have been sent to which company and when they were sent. These are followed up regularly and when the prints are returned they are destroyed and burned. These blueprints are shipped by regular mail, unless they are considered of unusual importance and are then shipped by registered mail.

The blueprints received at the inspection department from the engineering department are delivered by JOHN ALLEN. These prints are requisitioned by the engineering department and a receipt is signed therefor by Chief Inspector JOSEPH GRUBB or one of the foremen. When the blueprints are received they are placed in unlocked metal file cabinets and a complete set of prints is retained there for each part and also the master assembly and master installation prints are kept there. The foreman will hand out the prints as he assigns the work. The inspection department is separated from the other departments by a cage and work goes on in that department from 7:30 A.M. to 4:00 P.M. except that one man remains on duty from 4:00 P.M. to 12:00 P.M. At 12:00 P.M. the cage is locked and no one can gain admission to the inspection department without climbing over the wire partition. The blueprints are permitted to remain in the open over night. Chief Inspector JOSEPH GRUBB advised that frequently the production assembly department or the machine shop will want an extra print for a part, particularly when two men in the machine shop are machining the same part on two different machines. Instead of going to the engineering department, which would probably be closed, to obtain a blueprint, they will walk into the inspection department while the man on duty in the evening is out and help themselves to one of the blueprints. Mr. GRUBB stated that frequently prints are lost in this manner but they have always shown up finally. He stated that they have no chargeout system in the inspection department and he believes that some further precaution

should be taken to prevent even the temporary loss of prints and he believes that some system will probably be worked out at plant three.

Blueprints sent from the engineering department on requisition to the production department go to clerk ROBERT CROSS in the machine shop. Frequently these prints are routed to him automatically with a job order signed by Production Manager BERT L. KRUZAN. The blueprints are then distributed by ROBERT CROSS in the machine shop and this is where the real confusion as to blueprints exists. It is impossible for ROBERT CROSS to inaugurate any chargeout system for the prints in that the print stays with the job rather than the individual; for example, one particular part may be machined by 20 different individuals in the machine shop. It is necessary for the blueprint to stay with that part at all times. Foreman JOHN LEONARD of the machine shop, Chief Inspector JOSEPH GRUBB and CARL REYNOLDS pointed out that if each time a blueprint went from one individual to another in the machine shop a chargeout was made therefor, it would take more time to do the clerical work than it would to complete the machine operation. The master assembly and master installation prints are not sent to the machine shop. The only other department to which they go under production is the production assembly department. ROBERT CROSS stated that blueprints for parts are left on the machines in the machine shop over night and frequently prints are lost temporarily but that in the long run they usually show up. Chief Government Inspector JOSEPH HEDWALL advised that there is kept in his office a complete set of blueprints, including the master assembly and master installation prints. These are kept in a safe to which he only has the combination and are used only for reference. He stated that these prints are charged out to him by the engineering department and when the job is completed the full set of prints is returned to the engineering department. He stated that he had no suggestions except that he had noticed that the master assembly prints are kept in the assembly production department in a cabinet that is not locked. He was of the opinion that it would be impossible to devise any type of chargeout system in the machine shop.

EARL WEINBRECHT, supervisor of the production assembly department, advised that a complete set of blueprints for each motor, including the master assembly and master installation prints, are charged out to him just as they are to the inspection department. Frequently, however, he does

not get a complete set until after the motor is finished, due to the fact that the engineering department is behind in its work. He advised that he keeps this complete set of prints, including the master assembly print, in an unlocked metal file cabinet in the assembly section along the north wall, near the west side of the main building of plant two. This cabinet is located in the same room that faces on the parking lot on the west side of plant two. No system of charging out blueprints is used in the production assembly department because it is not practicable due to the similar set-up of that department with the machine shop. WEINBRECHT advised that he distributes the blueprints with the individual jobs and that the blueprints follow the jobs until they are completed and then come back to him at which time he sends them back into the engineering department. Blueprints are left out on the work stands in the assembly production department overnight. Certain precision tools used in the assembly production are kept in a metal file cabinet along the north wall near the cabinets in which the blueprints are kept and the only key to this cabinet is kept by Chief Inspector BEN LOGAN of production assembly.

CARL REYNOLDS advised that the only blueprints which go to plant one are for bearings. Blueprints on bearings are made up by the engineering department at plant two upon requisition by the officials of plant one. The blueprints are then sent to plant one by messenger. These blueprints, as well as all other company property, have to be given an in and out pass by the patrol service whenever they leave the plant. What happens to the blueprints after they reach plant one is the responsibility of that plant. The original tracing and one copy of each blueprint made for plant one is kept in the engineering department in plant two, being kept in the master blueprint file.

J. S. McLAUGHLIN, draftsman, plant one, advised that he is in charge of all blueprints at that plant. He stated that five copies of all blueprints are made by the engineering department at plant two; that the tracing and one of the blueprints are kept in the master blueprint file at the engineering department. The other four are delivered to plant one by messenger and Mr. McLAUGHLIN signs a receipt therefor. Mr. McLAUGHLIN keeps these blueprints in an unlocked file cabinet located in the draftsman room of plant one until such time as the job is started and then he sends one copy of each print to AL MOORE, the machine shop foreman,

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HENRY MAIDENWALD, a production inspector and CLAUDE GOLDEN, the final inspector. McLAUGHLIN keeps a written chargeout record of each print. Upon receipt of the blueprint by foreman AL MOORE he places it with the job and it follows the job in much the same manner as it does in the machine shop of plant two. MOORE advised that it would be impracticable to endeavor to charge the blue print out each time it changed hands in the machine shop. He stated that the prints are kept on the benches or on the machines over night; when the particular job is finished, the prints are returned to McLAUGHLIN by MOORE, MAIDENWALD and GOLDEN at which time he makes the proper notations on his chargeout cards and they are then destroyed by him, except that one copy is kept. The copies which are destroyed are burned in the furnace of plant one by McLAUGHLIN.

14. Keys to all doors and rooms of plants one and two may generally be said to be in the possession of the personnel department in a key file maintained by Chief of Patrol Service JOHN DALTON. However, there are certain exceptions; the key to the room in which the original tracings of blueprints and the master assembly and master installation prints are kept, in the engineering department, is kept by Mr. CARL REYNOLDS, head draftsman of the engineering department. This is done in order that the guards may have access, particularly at nights, to all rooms in the plants. Confidential files are divided into three categories, those which are maintained in the accounting department, pertaining to payrolls and the cost of operation, etc., those pertaining to administration, kept in the general plant manager's office, and those pertaining to production, kept in the chief inspector's office.

The confidential files maintained in the accounting department are kept in a safe to which JOHN D. WELCH, comptroller, has the combination. The confidential files kept in the general plant manager's office are kept in a safe to which only Mr. KREUSSER and his secretary have the combination. The confidential files in the engineering department are kept in a locked cabinet in the office of Chief Engineer RONALD HAZEN. HAZEN is the only individual who has the key to the cabinet and General Manager KREUSSER has advised that he can't even get into this cabinet. As pointed out elsewhere, the key to the metal cabinet in production assembly, where the precision tools are kept, is in the possession of Chief Inspector BEN LOGAN, who has the only key. The key to the room and files in which the tracings

and master blueprints are kept is in the possession of only Mr. CARL BEYNOLDS.

General Manager OTTO T. KRUESSER has advised that there is no master key file where duplicate keys to all locks are kept. He stated that the patrol service has keys to every room in all the plants in order that they may gain admittance to any of the rooms during the hours of the night when no one else is present. He stated that he doubted seriously the advisability of giving to the guard service keys to all cabinets such as the cabinet where the precision tools are kept in the production assembly department and to the cabinets where the master blueprints are kept. He stated, however, that he believed that there should be kept at some centrally located point in the plant, such as under Mr. KUMMER's supervision, a duplicate key to all such cabinets. As it is now, if Chief Inspector BEN LEGAN failed to appear at work or lost his key, it would probably take several hours to obtain another key to the cabinet containing the precision tools.

17.

The powerhouse of plant number one is located in a half basement at the rear of the building and crude oil is used exclusively. The only purpose of this powerhouse is to produce heat for the plant. The only plan for security of the powerhouse is that the guards regularly check it during their patrol service. There is no boilerhouse at plant number one, the heat being by hot air. An attendant is on duty in the powerhouse 24 hours a day. Plant number two has its powerhouse located in a one-story brick structure of similar design to the main building and attached to the main building and test laboratories by a covered passageway. This same structure also houses the boilers. Coal is used here and the powerhouse is only for the purpose of furnishing steam heat for plant number two. The power and boilerhouse of plant number two is a restricted area and only two attendants thereof and the guards are admitted. The only plan for security of this power and boilerhouse, other than the fact that it

is a restricted area, is that the guards regularly check it in their patrols and an attendant is on duty there 24 hours a day. Plant number three has a cooling and ventilation system and the heat will be furnished by Diesel motors.

18. Electric power is transmitted to plant number one by power lines of the Indianapolis Power and Light Company. The transformers are mounted on poles at the rear or west side of the plant. No protection is given the transformers except that they are mounted on poles of about 15' in the air, on the outside of the plant. No recommendation has been made as to furnishing additional protection to these transformers inasmuch as the power lines could be sabotaged at any point along several miles from the power company to the plant. The electric power lines of plant number two are underground and the transformers are located at the rear of the test laboratory, as shown on blueprint D. The transformers are surrounded by a 7' wire fence with a locked gate. No special protection is given except that the guards regularly inspect the transformers during their patrols. Power of the Indianapolis Power and Light Company is used. Plant number three will generate its own power with Diesel motors and in addition thereto it has a connection with the Indianapolis Power and Light Company whereby it may use that power for auxiliary purposes in the event the Diesel motors break down. Power from the Indianapolis Power and Light Company is brought into plant three by an underground conveyer. The transformers are located at the rear of the main building of plant three and are surrounded by a 7' wire fence similar to that used in fencing the entire property. No special protection is being afforded the transformers of plant three except that they are being covered by the regular guard service.

19. When tests are being run on motors on the torque stands in the test laboratory or new test building of plant three, a guard is placed on duty outside of the one door leading to the torque stands and no one is permitted to enter the torque stand except those individuals having a pass signed by General Manager OTTO T. KREUSSER. An armed guard is on duty during the entire time the test is being run, which frequently lasts more than 24 hours. Keys to the individual torque stands are kept in the personal possession of CARL WEINBERECHT, chief of production assembly and JOHN WRIGHT, chief of test assembly and when the tests are run the keys are turned over to the guard on duty.

- 20. No explosives or inflammable materials are kept in any of the plants other than gasoline and oil. The large gasoline tanks, as indicated on the blueprints, are buried at plants two and three outside of the plant buildings. The pipes leading to these tanks are about two feet out of the ground and the caps are screwed down and padlocked thereon. No particular protection is afforded these areas other than from the standpoint of being a fire hazard, except that when the tanks were put in the ground, the guards watched the filling in of the earth to make sure that no bombs or explosives were buried in the ground near the tanks. The tanks were also carefully examined to make certain that no explosives or other foreign materials were contained therein.
- 21. No cameras are permitted on the plant grounds by anyone, including employees, except that the company has one official photographer who makes photographs, only on the instructions of General Manager OTTO T. KRUEGER.
- 22. No alcoholic beverages are sold on the premises.
- 23. The stock in the storage rooms inside the plants was found to be in a general orderly condition. No materials were stored therein that were combustible or inflammable other than that blueprints and paper forms and stationery might be considered as inflammable. All of these materials were maintained either in fireproof rooms or in fireproof cabinets.
- 24. There did not appear in any of the plants any combustible materials in such amounts as to create a fire hazard within any of the plant buildings.
- 25. The packing and shipping rooms at the plant were properly safeguarded against fire hazards with one notable exception mentioned below. All guards are instructed to report immediately any supposedly inflammable or explosive materials noticed in the plant or grounds. As outlined above, the large tanks of gasoline are buried and are grounded to prevent the generation of static electricity.
- 26. In the east yard of plant number two, in a house marked on blueprint D as "Steel House," there are stored large quantities of oil and clear gasoline, used in motor tests. Directly to the north and adjacent to this house there is dumped considerable quantities of oil-soaked metal shavings. This pile of shavings is approximately 10'

high and covers an area 10' x 10' x 10'. Large quantities of oil run out of these shavings and collect in pools on the ground around the entrance to the building marked "Steel House" where the gasoline and oil are stored. A match carelessly thrown into one of these pools of oil might very readily result in a fire and an explosion of the gasoline stored in the "Steel House." It is noted that the "Steel House" is but a distance of approximately 20' from the "New Test Building" and as Chief of Patrol Service DALTON stated, an explosion of the gasoline in the "Steel House" would probably blow the "New Test Building" into the next county. He stated that he has mentioned this to the plant officials several times but no action has been taken. RUSSELL WRIGHT, superintendent of test assembly, advised that the oil could be removed from the metal shavings and saved by utilizing equipment similar to the blower employed in laundries.

- 27. Oily waste is kept in red metal containers with a top and no other materials are placed therein. Waste paper and other trash, including the waste paper from the front office, with the exception of blueprints, is hauled out to the city dump in the company's half ton truck. Appropriate metal waste cans are placed throughout the plants for waste papers and trash. Waste cans are emptied weekly or more frequently if they are full.
- 28. The guards inspect these waste cans during their regular patrol.
- 29. Office waste paper baskets are emptied at regular intervals, at least once a week, and the paper is bundled by the company maintenance department and taken to the city dump in the company's half ton truck. Blueprints which are destroyed are burned in the company powerhouse.
- 30. No open flame lights were observed near combustible material.
- 31. No woodwork or other combustible material was noticed so close to steam pipes, boilers, flues or furnaces that they would create a possible fire hazard.
- 32. Hot ashes are permitted to cool on a concrete floor and are then taken by a company truck to the city dump.

33. None of the roof coverings on any of the plant buildings appeared to be defective and it may be stated that all of the buildings appeared to be in excellent repair.
34. All stoves, furnaces, pipes, chimneys and flues are inspected at regular intervals by the company maintenance department and the city and state fire marshals, as well as the insurance underwriters. As a result of a recent inspection by the company maintenance department, all of the plumbing fixtures of plant one are being torn out and new ones installed.
35. No fireproof rooms are provided where employees may smoke except that the machine shop and plant buildings are considered almost 100% fireproof. Employees are permitted to smoke at any time they care to on the job, the only restriction being that they are not permitted to smoke in restricted areas, such as the torque stands and in certain other areas, such as the vicinity of the outlets to the buried gasoline tanks, which areas have been marked with no smoking signs. The plant guards are instructed to be on the alert and promptly report any violation of the smoking rules.
36. All plant records are maintained in metal fireproof file cabinets.
37. Most of the employees, other than office employees, have individual metal lockers located throughout the various departments of plants one and two. The employee may obtain a company lock for his locker and he is given the only key thereto, or if he prefers, he may place his personally owned lock on his locker. The employees are permitted at the present time to keep anything that they care to in their lockers and many of them have their personally owned tools, which they keep in their lockers. The employees are charged with each company tool which they take from the tool crib, but they are also permitted to keep these in their lockers over night if they care to; however, all company precision tools, other than the actual machines in the machine shop, are kept in a locker of the production assembly department described hereinbefore.

Employees are also permitted to keep clothing, blueprints and a great variety of things in their lockers. No check is made of the lockers by the company. It is contemplated that in plant three each employee will be given an individual locker and the same plan will be followed as is now in effect in plants one and two.

- 38. See 26 and elsewhere.
- 39. No electrical fixtures or wires were noticed to be loose or broken. As stated before, the plant seemed to be in excellent repair and the electrical equipment is being constantly checked by the company electricians assigned to the maintenance department; it is also checked at regular intervals by the city and state fire marshals and by the insurance underwriters.
- 40. No electric cords were noticed roped over nails or in contact with any other metallic objects or surfaces.
- 41. No electric fuses were observed in the plant replaced by wire or other improper current carrying materials or devices.
- 42. There are no fire doors or shutters in plants one and two. However, the production part of plant two is separated from the main offices by a fireproof wall. Plant three will be, insofar as possible, 100% fireproof.
- 43. The general condition and state of repair of the windows, partitions, plastering, flooring and everything else observed seemed to be in excellent repair.
- 44. No unprotected windows were observed that appeared to constitute a fire hazard.
- 45. Combustible stocks, as mentioned elsewhere, are maintained in fireproof rooms in all plants and the only hazardous operation might be the tests run on the motors in the torque stands. These torque stands are of heavy brick construction and there is, of course, a possibility that one of the motors might blow up during the test. However this possibility is considered very slight by the company engineers and they believe that the torque stands are constructed in such a substantial manner that no damage would be done outside of the torque stands. It may be stated that no one stays in the room in which the torque stands are located while the motor is being tested. All

- if the instruments are in an adjoining room and safety glass approximately one foot thick appears in a peep hole of the torque room so that the persons conducting the test may observe the motor without any danger of being injured in the event it did explode.
46. There are no unnecessarily concealed spaces which might prove to be fire hazards.
47. There is only one elevator in all three plants. This is located in plant one and goes only from the first floor to the second floor. This elevator shaft may be closed by doors as may be the two stair shafts going from the first floor to the second floor of plant one.
48. The only temporary partition is located in plant one where the west wall has been removed during the construction program and substituted therefor have been sheets of pasteboard. This pasteboard is, of course, inflammable; however, it does not appear to be a fire hazard as there are no quantities of combustible material located nearby.
49. No fire pails are used. Chemical extinguishers were in place, in good condition and readily accessible to any employee. All hose and hose nozzles have been replaced within the past two months.
50. All fire equipment was completely checked in June, 1939, at which time all valves were checked and found to be operating satisfactorily. They have not been checked since that time.
51. Sprinklers are utilized in all three plants and none of them were found to be obstructed in such a manner that they would be ineffective in case of a fire. No portions of the sprinkler system were exposed to freezing.
53. There is no organized fire brigade in any of the plants at this time. The foreman of the maintenance department and four of his employees, all of them located in plant two, constitute the company fire department. They are trained in the use of fire equipment, as are all members of the protective service. Chief DALTON advised that he plans to organize a fire brigade at plant three and also at the other two plants in the near future. He plans to organize the workmen from each department as members of the fire brigade, each with specific duties to perform in the event of fire.

84. No regular fire drills have been held either by the company fire department or by the plant employees.
85. & 86. Each plant has a sprinkler system which has a paraffin seal. When the room temperature becomes high enough to melt the paraffin seal, the sprinklers begin operation and a bell alarm goes off. The fire equipment of plant one, in addition to the sprinkler system, consists of 150 feet of hose in a temporary wooden shed just outside of the plant. There are also fire plugs in strategic positions located inside and outside of the plant. The fire protection equipment of plant two consists of 500 feet of hose maintained in the maintenance department. There are also fire plugs in strategic positions outside and inside the plant. Also located in the maintenance department of plant two is a Foamite hand truck of 50 gallon capacity with 20 feet of hose, which is accessible to anyone at all times. Plants one and two are only a half block from the City of Speedway fire department. Every department in plants one and two has at least one fire extinguisher located in a strategic position. Most of the departments have several fire extinguishers therein and the following types of extinguishers are used. A soda acid extinguisher is used where combustible materials, such as lumber or paper, are stored. Soda acid has a tendency to spread liquid fire but is good for paper, rag or wood fires. Foamite extinguishers are good on liquid fires because they cut out the oxygen and these types of extinguishers are used in plants one and two around combustible and inflammable liquids. The bad feature of this type of extinguisher is that it is very hard to clean up after being used. Carbon-tetrachloride extinguishers are used exclusively on electrical fires because it is a non-conductor. This type of extinguisher is placed in strategic positions around the torque stands and transformers. Carbon dioxide extinguishers are the cleanest and the easiest to use. They are also used around the torque stands, inasmuch as they will not damage high-priced motors to any degree if used thereon. Plant three, in addition to having the above-mentioned types of extinguishers and sprinklers, will also have a small motor fire truck, according to the present plans. The condition of the above-mentioned equipment was good, most of it having been purchased or tested since June, 1930.

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57. The hydrants on the plant grounds and in the buildings were observed to be readily accessible and free from obstructions. The patrol service is instructed to look for any obstructions and to report them promptly.
 58. & 59. The maintenance of the hydrants and other fire-fighting equipment comes under the supervision of the company's maintenance department. The hydrants are not tested at any regular intervals. The hose houses are readily accessible to anyone and free from rubbish.
 60. As stated above, the hose used, both on the plant fire apparatus and the various hydrants, was tested within the last two months; however, no regular schedule for testing this equipment has been set out.
 61. The only fire alarm system of plants one and two is that a bell goes off on the inside and outside of the plants at the time that the sprinkler system goes off. There is no system whatever for giving manual alarms.
 62. Fire alarm boxes and telephones are not readily accessible to the plant guards and employees.
 63. All the plant personnel has not been instructed in the procedure to be followed in case of a fire.
 64. Adequate exits and fire escapes are provided and they are free from obstructions.
 65. Vents are provided in all plant buildings where there are explosives or obnoxious gases and dust, the principal places being in the torque stands at plant two.
 66. There have been no fire drills at either plant one or two.
 67. Steam pipes, radiators, etc. are free from combustible materials.
 68. Personally owned automobiles of employees are not permitted to enter the plant. They are only permitted on the company parking lots described hereinbefore; however, the automobiles on the parking lots are not identified in any manner as automobiles of company employees.
 69. The machinery and equipment of the plant is in excellent shape and kept in the very best state of repair.

- 70. The source of water supply for plants one and two is the city water department of Speedway City, Indiana, for fire protection, drinking and water used in production. No particular protection is given it to protect it from sabotage. Plant three will have its own supply of water in the form of two wells, one located inside of the building proper and the other located nearby on the grounds. It will also have a connection with the reservoir of the City of Speedway City as an auxiliary supply of water, in the event the water supplies of plants one and two were sabotaged, the wells located in plant three would furnish a sufficient supply of water, however, no arrangements have been made for piping this water and they do not plan to do so.
- 71. There are no outstanding hazards in the immediate vicinity of either of the three plants. They are all located in a rural section and the surrounding areas have been stripped of all wooded areas susceptible to fires.
- 72. All storm sewers have at their outlets baffles which would prevent anyone from entering the plant proper through the sewers.
- 73. There is no food served in plants one and two except that there are vending machines from which the men obtain Coca Cola and milk. Plant three will have a cafeteria. No laboratory tests are made of the drinking water.

F. LABOR

- 1. The Allison Engineering Company Division has had no serious labor troubles. The CIO has been making a membership drive and endeavoring to put the entire company on a basis similar to that of other General Motors Corporation plants. It will be recalled that the United Automobile Workers of America is an affiliate of the CIO and controls labor in practically all General Motors Corporation plants. CLARENCE LYONS, head of the CIO at Indianapolis, Indiana, and an employee of the Chevrolet Motor Company, Indianapolis, Indiana, (now on a leave of absence) contacted General Manager OTTO T. KREUSSER about five months ago, by telephone, and endeavored to make arrangements to have a conference with him for the purpose of discussing collective bargaining. Mr. KREUSSER stated that he has refused to discuss the matter with LYONS for the reason that he believes that the moment he even discusses it with LYONS, LYONS will make it appear that he has obtained some concessions.

Mr. KREUSSER stated that undoubtedly there are some members of the CIO in the Allison Engineering Company; however, he believes the percentage is very small. He stated he did not know the exact number or the identity of the members. He advised that, without any suggestion on the part of the management, a group of the older employees of the company, when they heard that the CIO was trying to make inroads there, got together and organized a union known as the United Engine Mechanics Association. Mr. KREUSSER stated that the employees wanted the company to back this union but that because of recent legislation he, of course, would not be in a position to sanction a company union. He stated that they requested authority to hold a meeting on the company property and he refused them permission to do this. He stated that he has heard through the grapevine that this union now has a membership consisting of more than 50% of the employees; that they have their own attorney and that they have regular meetings. It was apparent that Mr. KREUSSER felt rather sympathetic toward this group and he stated that they were the old timers and the loyal employees of the company. He insisted, however, that this group was organized through no suggestion of the management and that he can truthfully state that it is not a company union. Mr. KREUSSER stated that he anticipates some difficulty with the CIO in the future and that they will undoubtedly endeavor to organize the employees of his plants. He states, however, that they have been unsuccessful in doing so and he thinks it will be unsuccessful in the future, inasmuch as the company has more to offer the employees than the CIO. He also stated that in his opinion the CIO was composed largely of Communists and certain branches of it are undoubtedly directed by Communists who are taking their instructions from the USSR. He stated that he had nothing definite to prove this conclusion but stated that it was a matter of common knowledge and referred to such out and out Communists as HARRY BRIDGES. Mr. KREUSSER stated that he was at a loss to understand how the Government could permit such individuals as HARRY BRIDGES, an admitted Communist who is taking his orders from a foreign country, to remain at large. He stated that, outside of the activities of the CIO, he knew of no foreign influence which had been brought to bear upon the employees of his company.

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Mr. KREUSSER stated that another of his labor problems, which he considers of a very minor nature, has been that some of the old-timers who were with the Allison Engineering Company have to a certain extent resented the imposition of certain rules and regulations installed since the company was taken over by the General Motors Corporation. He stated that prior to the time it was so taken over, these old-timers had a great deal of freedom and worked pretty much as they pleased. He stated, for example, that some of the old-timers, according to the grapevines, had referred to the plants as Alcatraz after the fences had been placed around them. However, he stated that he knew of no old employee who, in his opinion, would commit an act of sabotage or espionage. He stated that they were a loyal group as a whole and although doing some complaining privately, he considered them faithful employees and good American citizens.

2. A small number of men belonging to the CIO are employed by the company, however, the CIO is not recognized. The company is not operated as a closed shop. The only unions known to be operating in the plants are the CIO, which is endeavoring to bring the employees into the United Automobile Workers of America, and a local union formed within the Allison Engineering Company, known as the United Engine Mechanics Association. This latter union, so far as is known, is not affiliated with the CIO or the American Federation of Labor. Mr. KREUSSER did not know the names of any plant employees who were officials in either of these organizations.
3. The percentage of labor turnover at the company is about two per cent. This is usually due to the fact that a new man is hired for a skilled job and it is subsequently found that he is not able to fill the position and, therefore, he quits or is discharged.

INCLOSURES: TO BUREAU -- Blueprint marked A on the back, a floor plan of the east side of plant number three.

Blueprint marked B on the back, a floor plan of plant number three, except for the east side of the plant.

Blueprint marked C on the back, showing the grounds and buildings of plant number three and its relative position to plant number two.

Blueprint marked D on the back, showing the grounds and buildings of plants one and two, also the fences as well as water, gas and power lines.

Drawing marked E, is a rough sketch drawing showing the inside floor plan of plant number two.

Drawing marked F is a rough sketch drawing showing the inside floor plan of the first floor of plant number one.

Drawing marked G is a rough sketch drawing showing the inside floor plan of the second floor of plant one.

One application for employment form of the Allison Division of General Motors Corporation.

One employment record card of the Allison Division, General Motors Corporation.

One form letter of the Allison Division, General Motors Corporation, forwarded to former employers of applicants.

One report form used by the interviewer of applicants for the Allison Division, General Motors Corporation.

One efficiency rating sheet used by the chief of patrol service, Allison Division, General Motors Corporation, for rating members of the patrol service

One daily report of the members of the patrol service, Allison Division, General Motors Corporation.

One questionnaire on fire protection given by chief of patrol service, Allison Engineering Company Division, General Motors Corporation, to members of the patrol service.

One copy of a pamphlet entitled: "General Motors Corporation, Group Insurance Plan.

One application for membership in employees' group insurance plan.

Two copies of gate pass of the Allison Engineering Company Division, General Motors Corporation.

- PENDING -

5-1111

December 26, 1939

Mr. Otto T. Kreuzer
General Manager
General Motors Corporation
Allison Engineering Company Division
Post Office Box 894
Indianapolis, Indiana

Dear Mr. Kreuzer:

Based upon the survey which was made of your plant by a Special Agent of this Bureau, the following recommendations are being set forth which suggestions it is felt may be of value to the plant. Please feel free to discuss these recommendations thoroughly with the Special Agent who delivers this letter to you.

The recommendations contained in this letter apply mainly to Plants Number One and Number Two, it being impossible to make a complete survey of Plant Number Three in view of the fact that that plant is presently under construction. I have instructed Mr. R. E. Sackett, Special Agent in Charge, Federal Bureau of Investigation, United States Department of Justice, 323 Federal Building, Indianapolis, Indiana, to have a Special Agent contact you on or about March 1, 1940, when it is expected that Plant Number Three will be completed and in operation. At that time, a complete survey will be made of Plant Number Three and such additional recommendations as appear necessary and desirable as a result thereof will be made to you at that time.

With reference to the selection of personnel employed at the plant, including members of the plant guard force, it is recommended that the present application form utilized by you be enlarged to include additional information with respect to the applicant.

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Letter to Mr. Kreusser

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In this connection, it is particularly recommended that further information be obtained from the applicant as to his relatives, especially those residing in foreign countries. Further suggestions as to types of information which should appear upon the application form will be made to you by the Special Agent who is assigned to confer with you.

It is suggested that a more thorough investigation be made of all applicants for positions at your plant and particularly that the information supplied by the applicant as to his place of birth and citizenship be verified. In this connection, it is suggested that inquiries be made by form letters to schools which the applicant has attended and to former employers, requesting information as to statements made by him relative to his place of birth and citizenship. It is also felt desirable that personal attention be given to the investigation of applicants, either by the Personnel Manager or by an employee under his supervision who is designated to conduct such investigations.

It is recommended that identification cards be issued to all employees at the plant, including office personnel and Government inspectors, which cards should contain a small photograph of the employee and will be utilized by him to identify himself on entering the plant. In addition, it is recommended that identification badges be provided all employees, including office personnel and Government inspectors, to be worn by them in a conspicuous manner upon their outer clothing at all times they are on the plant property. These identification cards and badges should be issued by the Personnel Department at the time the employee is hired or the Government inspector enters on duty at the plant. Sufficient records should be kept of identification cards issued to insure against a person leaving your employ without turning in his identification card to the company. In this respect, it is suggested that before an employee's final check is given to him, his identification card be obtained and subsequently included in the personnel file of the employee prior to the time the file goes into the closed section. With respect to each identification badge, a record should be kept showing the time it was issued to an employee and the time it was returned.

Letter to Mr. Krewson

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This record should make it possible at any future time to determine the identity of each employee who has used a particular badge and the time during which he was in possession of it. The plant guard force should receive up-to-date lists of credentials and badges.

With respect to telephone repair men and other service and maintenance men, it is recommended that those individuals be required to enter the plant in the same manner as visitors and that before entering the plant they obtain the usual visitor's pass and an identification tag which shall be worn conspicuously on the outer garments of the individuals. Both the pass and the identification tag should be returned to the individual issuing them on the completion of the person's business in the plant.

It is recommended that a form be prepared which is to be filled out prior to the issuance of a visitor's pass. This form should include the date, the name of the visitor, his address, the name of the person to be visited, the nature of the visit and an agreement to abide by and be subject to all plant rules and regulations as well as a waiver granting plant employees permission to subject the visitor to any search or detention deemed advisable by the employees for the protection of information pertaining to or the property of the United States Government. It is also suggested that there be included a waiver releasing the plant being visited from all liability in the event the visitor receives any injury while on the plant property. A notation should be made on the form as to the time the badge is issued and the time it is returned.

A visitor should never be left alone in the plant and should be constantly accompanied by a guard or by a proper plant official. Visitors found unaccompanied should be taken to the plant guard headquarters where necessary inquiries should be made as to the reasons for their presence unaccompanied in the plant. A system for

Letter to Mr. Kreuzer

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the issuance of permanent passes to individuals other than employees may also be considered. Such passes should be issued only to sub-contractors and other persons who are well-known and who have frequent business at the plant. These passes are to be similar to the identification cards issued to employees but should clearly indicate the status of the persons carrying them.

The matter of "spot" searches of employees as they enter and leave the plant perhaps merits particular attention. From a protective standpoint, such searches are believed to be highly desirable in that they provide the only practical method of supervising the entrance and exit of employees to prevent the introduction of harmful materials into the plant or to prevent the transmission from the plant of confidential materials. However, the effect of "spot" searches upon the morale of the employees must be considered and it is suggested that you give consideration to instituting a system of "spot" searches in the light of your own personal knowledge of the effect which such a system might have upon the morale of your personnel.

With respect to the handling of plant mail, it is suggested that a locked pouch be obtained to be utilized in taking mail to and from the post office. A key to this pouch should be available at the post office and a second key should be available to the employee charged with the duty of handling the mail at the plant.

It is recommended that the members of the plant guard force be provided with a pass or credential card similar to that provided to employees at the plant for use in identifying themselves.

Reports should be submitted by each guard at the conclusion of his tour of duty and these reports should be maintained at the plant for a period of at least six months and preferably longer inasmuch as they will be of material assistance in providing data for future investigations.

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Letter to Mr. Freusser

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It is recommended that whenever a motor is shipped from the plant by airplane that an employee of the plant guard force accompany the motor from the plant to the Indianapolis, Indiana, airport and remain with it constantly until it is placed in the custody of the common carrier.

It is recommended that a system of communication be established at Plants One and Two between each gate at which a guard is regularly stationed and some central point, preferably in the plant guard force headquarters in the Employment Office, so that if the guard on duty at a gate finds it necessary to leave the gate for some reason, he may signal or call for assistance.

It is recommended that a member of the plant guard force inspect all railroad trains entering the plant area on the spur tracks. In this connection, it is suggested that all railway cars be inspected inside and outside to insure against unauthorized persons gaining admittance to the plant. Careful inspection should also be made of these cars for dangerous materials such as explosives and the like.

It is recommended that members of the plant guard force assigned to the various gates, in addition to examining all packages carried out of the plants, also carefully inspect all packages being carried into the plant for explosives and any other materials that might be used in espionage or sabotage.

It is recommended that the practice of disposing of oil-soaked shavings next to the Steel House in the east yard of Plant Two be discontinued. The present practice of piling this material adjacent to the Steel House wherein a large quantity of oil and clear gasoline is stored is a definite hazard.

It is recommended that the gate in the four foot fence surrounding the west and south sides of the Employment Office be kept locked or constantly guarded in view of the fact that under the present arrangement whereby this gate is left constantly unlocked and unguarded, an applicant for a position at the plant, either before or after leaving the Employment Office, may walk through this gate into the plant proper.

It is recommended that all incoming trucks be first checked by the guard before being allowed to enter the plant proper. A registry system should be installed at the plant truck gate wherein an accurate record is kept concerning the identity of the truck and the driver, the time at which the truck entered the plant and the purpose for which it entered. The record should also reflect the license number of the truck and the signature of the driver as well as his helper, if he has one. Truck drivers should not be allowed to enter any of the plant buildings except on emergency occasions, in which instance they should be accompanied by a guard. Each truck should be required to leave the plant by the same gate at which it entered and should be checked out of the plant by the guard opposite the record card reflecting the entry of the truck. At the time of leaving, the truck should again be examined by the guard to determine that no unauthorized material is in the truck and the guard should also observe that the individual driving the truck is identical with the person driving at the time it entered.

It is recommended that a master key file be established. It is suggested that in this master key file there be kept a duplicate of each key used in the plant. In this connection, it is suggested that in this master key file, there should also be kept a duplicate of the keys now maintained solely in the possession of certain company officials; for example, the keys to the individual torque stands kept by Mr. Russell Wright and Mr. Carl Weinbrecht; the key to the cabinet in the Production Assembly in which precision tools are maintained, kept by Mr. Ben Logan; the key to the room of the Engineering Department and the cabinet where the original tracings of all blueprints are maintained, kept by Mr. Carl Reynolds. In the event any of these keys are lost, the lock should be changed and keys therefor should be issued to the proper person or persons.

It is recommended that waste paper from the main offices in Plant Two and the offices in Plant One be completely destroyed daily by burning or some other method under the supervision of a trusted company employee in a manner similar to the supervised burning of obsolete blueprints by the Engineering Department. The present practice of emptying office waste paper baskets and transporting these contents to the city dump where they are deposited without being burned or destroyed in some manner should be immediately discontinued.

EEEE.

It is recommended that additional precautions be taken to safeguard against the loss or theft of confidential blueprints and the like at Plant Two after they leave the Engineering Department and are charged out to various production departments. It is recognized that since the blueprints generally must go along with the job, it is impracticable to charge them to one employee and recharge them whenever they are transferred from one employee to another. However, it is suggested that when a blueprint goes from one production department to another, the custodian of the files from which these documents were originally charged out be notified so that appropriate entries as to the location of the document can be made on the charge-out card. Since it is not practicable in production to charge out blueprints to individuals, it is believed that they should be restricted so far as possible to the department to which they are charged. The practice of Machine Shop employees on the evening shift obtaining blueprints from the Inspection Department without authority should be discontinued. This existing practice can be corrected by having all blueprints in the Inspection Department placed in locked cabinets by the custodian thereof at the conclusion of the day shift rather than being left in the open all night.

It is recommended that the complete sets of blueprints including the master assembly and installation sets which are presently kept overnight in unlocked cabinets in the Inspection, Production and Assembly Departments, be kept at all times in locked cabinets except when in actual use.

It is recommended that personnel in positions having access to confidential information be selected with particular care and any person with a known subversive tendency indicating that he might engage in espionage or sabotage activities should not be placed in such a position.

It is recommended that all employee lockers at the plant have a company lock thereon or be kept unlocked. The present practice of allowing employees to place their own individual locks on these lockers should be discontinued. These lockers should be inspected at irregular intervals by officers of the plant guard force and such inspection should occur at least once a week. During this inspection,

12/26/39

the general condition of the locker should be observed and a careful search of the locker should be made for any evidence of espionage or sabotage on the part of the employee to whom the locker is assigned. These inspections should also be arranged so that the employees will not have knowledge beforehand of the times at which the inspections are to be made.

It is recommended that an appropriate fire brigade of plant employees be formed. There should be a plant fire chief at the head of this brigade. A general fire alarm signal should be installed and fire drills should be held at regular intervals. Definite instructions should be given to all employees as to their acts in the case of fire. Arrangements should be made whereby the nearest office of the Federal Bureau of Investigation, United States Department of Justice, will be immediately notified by telephone when any fire or explosion occurs at the plant. Further suggestions as to this matter will be made by the Special Agent who is assigned to confer with you.

It is recommended that a book of plant rules and regulations be prepared and a copy furnished to each employee. This procedure is advisable in order that the employees may be acquainted with the regulations to which they are expected to conform and will serve to refute any claim by an employee disobeying the rules that he was ignorant of them.

May I again suggest that you discuss the above recommendations directly with the Special Agent who delivers this letter and that you present to him any questions which may arise in your mind with reference to these recommendations or to any other suggestions that you may have for the improvement of the protection of your plant. I should also like to take this opportunity to suggest that you feel free at any time to communicate with me or with the Indianapolis office of this Bureau with respect to plant protection matters.

Very truly yours,

John Edgar Hoover
Director

List of items pending, including new items for which application is being made

A. GRANANCE ITEMS

Field Guns and Ammunition

500 75 m.m. guns with 1,250,000 shells.

Any number of 3" anti-aircraft or 37 m.m. anti-tank guns (either from stock or from priorities)

Small Arms and Ammunition

500,000 Lee Enfield Rifles with 500,000,000 .30 ball ammunition

5,000 Thompson sub-machine guns, or any part thereof, with 1,000,000 rounds of ammunition (from Army or Navy)

Spare Manufacturing Equipment (now or old)

For nitrocellulose powder manufacture

For ammonia oxidation

For small arms manufacture

Nitrocellulose powder

Any further quantity of nitrocellulose powder.

June 11, 1940

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3. AIRCRAFT ITEMS BY U. S. ARMY ON HAND

By Stocks

73 Northrup Bombers with equipment
and the following bombs:

30 lb. 45,700

100 lb. 58,590

Any number of additional combat machines
(fighters or bombers, e.g. Boeings)

By Priorities

500 North American Harvard Trainers for
Canada

4 Allison Engines

6 Pratt & Whitney (double Wasps)

There is a further list of priorities for which
application has been made and so far refused or remains
unanswered (see list (a) of May 21st of which a copy is
attached).

June 11, 1940

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Anglo-French Purchasing Board Aeroplanes

Aeroplanes on order for United States Services
for which priorities are desired.

Pursuit Planes

- | | | |
|-----|------|--|
| 200 | P-40 | Curtiss of which it is understood deliveries will be made to the United States Army monthly from June onwards. |
| 30 | P-38 | Lockheed of which deliveries to the United States Army are expected from July onwards. |
| 40 | P-39 | Bell of which deliveries to the United States Army are expected from July onwards. |

Bombers

- | | | |
|-----|------|--|
| 150 | A-20 | Douglas for which deliveries are beginning shortly. |
| 200 | B-26 | Glenn Martin for which deliveries are beginning in August. |

Transport Planes

- | | | |
|----|------|--|
| 35 | DC-3 | Douglas planes for transport use due for delivery to the Air Lines in the next three months. |
|----|------|--|

General

All except transport planes to be equipped with United States guns and ammunition; bombs, bomb-sights and bombracks.

C. NAVAL ITEMS

48 Destroyers (complete with torpedoes;
spare torpedoes; ammunition,
especially anti-aircraft ammunition)

Equipment (torpedoes, war heads, depth
bombs, guns and ammunition) for
the priority granted on 20 motor
torpedo boats.

Any number of boats similar in type to the
Motor Torpedo Boats for which a
priority for 20 has already been
granted (e.g. mosquito boats).

June 11, 1940

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SHORTAGES SHOWN FOR RMP -- THIS IS ONLY THE FIRST STEP
OF MOBILIZATION -- REQUIREMENTS FOR MOBILIZATION BEYOND
THE RMP WOULD INCREASE INDICATED SHORTAGES GREATLY.

(Normal Service Training activities such as GFTC
etc., must be provided for over and above RMP
requirements. Requirements for such activities
will further increase indicated shortages.)

ITEMS REQUESTED
BY ALLIES

PRESENT
RMP
SHORTAGES

STATUS

A. ORDNANCE ITEMS

Field Guns and Ammunition

500	75mm Guns		<u>Released</u> in compliance with Ex. order 6-11-1940
	with		
1,250,000	Shells	825,000	No surplus (1,075,000 rounds already released.)
Any number	3" Antiaircraft Guns	50	No surplus
Any number	75mm Anti-tank Guns	1,160	No surplus

Small Arms & Ammunition

500,000	Enfield Rifles		OK - <u>Can Release</u> 500,000.
	with		
500,000,000	.30 Ball Am.		No surplus (130,000,000) rounds already released from stocks & priorities.)
5,000	Thompson Sub-machine Guns	1,286	No surplus
	with		
1,000,000	Rounds Ammunition	2,000,000	No surplus

Nitrocellulose powder

Any further quantity		<u>Can Release</u> 100,000 Charges for 155mm Gun (GPF) (2,500- 000 lbs.)
----------------------	--	--

Spare Manufacturing Equipment (new or old)

For nitrocellulose powder manufacture	Arrangements being made by Office Assistant Secretary of War (Col. Burns) to turn over certain items of this equip- to the Allies.
For ammun. oxidation	
For small arms manufacture	

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COPY

<u>ITEMS REQUESTED</u>	<u>PRESENT SHORTAGES</u>	<u>STATUS</u>
<u>AIRPLANES</u>		
<u>Stocks</u>		
93 Northrop Bombers		93 A-17A's <u>Released</u>
with 85,700 30-lb Bombs	52,500	11,343 30-lb Bombs <u>Released</u> (5343 Navy)
58,590 100-lb Bombs	43,890	3,565 100-lb Bombs <u>Released</u> (565 Navy)
Any number of additional combat machines, fighters or bombers, e.g., Boeings		No surplus
<u>Priorities</u>		
500 North American Harvard Trainers for Canada		Now subject to negotiation be- tween North American & British Government.
4 Allison Engines		1 already turned over - Allison at present behind schedule - ad- ditional engines will be fur- nished as soon as they can be produced.
6 Pratt & Whitney (double Waps)		None will be in existence for several months.
Airplanes on order for United States services for which priorities are desired.		
Pursuits:	200 -- P-40 30 -- P-38 40 -- P-39	<p align="center"><u>SHORTAGES EXIST IN ALL CATEGORIES;</u> insufficient planes available to equip combat organizations and train combat crews <u>now in existence.</u> In Continental United States ONLY 1883 PLANES AVAILABLE FOR TRAINING 4351 PILOTS and student pilots. To turn over any of these airplanes as they become available on current procurement sched- ules will aggravate an already serious deficiency and may seriously jeopardize national defense.</p>
Transport:	35 -- DC-3	
Bombers:	200 -- B-26 180 -- A-20	

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SHORTAGES SHOWN FOR PMP — THIS IS ONLY THE FIRST STEP
 OF MOBILIZATION — REQUIREMENTS FOR MOBILIZATION BEYOND
 THE PMP WOULD INCREASE INDICATED SHORTAGES GREATLY.

(Normal Service Training activities such as CMTD
 etc., must be provided for over and above PMP
 requirements. Requirements for such activities
 will further increase indicated shortages.)

<u>ITEMS REQUESTED BY ALLIES</u>	<u>PRESENT PMP SHORTAGES</u>	<u>STATUS</u>
A. <u>ORDNANCE ITEMS</u>		
<u>Field Guns and Ammunition</u>		
500 75mm Guns with 1,250,000 Shells	<u>25,000</u>	Released in compliance with Ex. order 6-11-1940. No surplus (1,075,000 rounds already released.)
Any number 3" antiaircraft Guns	<u>52</u>	No surplus
Any number 37mm Anti-tank Guns	<u>1,160</u>	No surplus
<u>Small Arms & Ammunition</u>		
500,000 Enfield Rifles with 500,000,000 .30 Ball Am.		OK - Can Release 500,000. No surplus (130,000,000 rounds already released from stocks & priorities.)
5,000 Thompson Sub-machine Guns with 1,000,000 Rounds Ammunition	<u>1,286</u> <u>2,000,000</u>	No surplus No surplus
<u>Nitrocellulose powder</u>		
Any further quantity		Can Release 100,000 Charges for 155mm Gun (GPF) (2,500- 000 lbs.)
<u>Some Manufacturing Equipment (new or old)</u>		
For nitrocellulose powder manufacture		Arrangements being made by Office Assistant Secretary of War (Col. Burns) to turn over certain items of this equipment to the Allies.
For ammonia oxidation		
For small arms manufacture		

<u>ITEMS REQUESTED</u>	<u>PRESENT SHORTAGES</u>	<u>STATUS</u>
AIRPLANES		
Stocks		
93 Northrup Bombers with 83,700 30-lb Bombs	<u>52,500</u>	93 A-17A's <u>Released</u> 11,343 30-lb Bombs <u>Released</u> (5343 Navy)
58,590 100-lb Bombs	<u>43,800</u>	3,565 100-lb Bombs <u>Released</u> (565 Navy)
Any number of additional combat machines, fighters or bombers, e.g., Bessings		No Surplus

Priorities500 North American Harvard
Trainers for CanadaNow subject to negotiation be-
tween North American & British
Government.

4 Allison Engines

1 already turned over - Allison
at present behind schedule - ad-
ditional engines will be fur-
nished as soon as they can be
produced.

6 Pratt & Whitney (double Wasps)

None will be in existence for
several months.

Airplanes on order for United States services for which
priorities are desired.

Pursuit:	200	-	F-40
	30	-	F-38
	40	-	F-39
Transport:	35	-	DC-3
Bombers:	200	-	B-26
	180	-	A-20

SHORTAGES EXIST IN ALL CATEGORIES;
insufficient planes available to equip
combat organizations and train combat
crews now in existence.

In Continental United States ONLY
1883 PLANES AVAILABLE FOR TRAINING 4351
PILOTS and student pilots. To turn over
any of these airplanes as they become
available on current procurement sched-
ules will aggravate an already serious
deficiency and may seriously jeopardize
national defense.

List of items pending, including new items for which application is being made

A. ORDNANCE ITEMS

Field Guns and Ammunition

500 75 m.m. guns with 1,250,000 shells.

Any number of 3rd anti-aircraft or 37 m.m. anti-tank guns (either from stock or from priorities)

Small Arms and Ammunition

500,000 Lee Enfield Rifles with 500,000,000 .30 ball ammunition

5,000 Thompson sub-machine guns, or any part thereof, with 1,000,000 rounds of ammunition (from Army or Navy)

Spare Manufacturing Equipment (new or old)

For nitrocellulose powder manufacture

For ammonia oxidation

For small arms manufacture

Nitrocellulose powder

Any further quantity of nitrocellulose powder.

June 11, 1940

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B. AEROPLANE ITEMS EX U. S. ARMY OR NAVY

Ex Stocks

93 Northrup Bombers with equipment
and the following bombs:

30 lb. 83,700

100 lb. 58,590

Any number of additional combat machines
(fighters or bombers, e.g. Boeings)

Ex Priorities

500 North American Harvard Trainers for
Canada

4 Allison Engines

6 Pratt & Whitney (double Wasps)

There is a further list of priorities for which
application has been made and so far refused or remains
unanswered (see list (a) of May 21st of which a copy is
attached).

June 11, 1940

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Anglo-French Purchasing Board Aeroplanes

Aeroplanes on order for United States Services for which priorities are desired.

Pursuit Planes

- 200 P-40 Curtiss of which it is understood deliveries will be made to the United States Army monthly from June onwards.
- 30 P-38 Lockheed of which deliveries to the United States Army are expected from July onwards.
- 40 P-39 Bell of which deliveries to the United States Army are expected from July onwards.

Bombers

- 180 A-20 Douglas for which deliveries are beginning shortly.
- 200 B-26 Glenn Martin for which deliveries are beginning in August.

Transport Planes

- 35 DC-3 Douglas planes for transport use due for delivery to the Air Lines in the next three months.

General

All except transport planes to be equipped with United States guns and ammunition; bombs, bomb-sights and bombracks.

C. NAVAL ITEMS

48 Destroyers (complete with torpedoes;
spare torpedoes; ammunition,
especially anti-aircraft ammunition)

Equipment (torpedoes, war heads, depth
bombs, guns and ammunition) for
the priority granted on 20 motor
torpedo boats.

Any number of boats similar in type to the
Motor Torpedo Boats for which a
priority for 20 has already been
granted (e.g. mosquito boats).

June 11, 1948

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June 12, 1940.
3:45 p.m.

RE ALLIED PURCHASES

Present: Mr. Purvis
Sir Henry Self
Mr. Ballentyne
Mr. Young
Mr. Nelson
Mr. Foley
Admiral Spear
Mrs. Klotz

Spear: I have got a little item of four hundred eighty-three thousand dollars to get back from that Electric Boat Company.

H.M.Jr: Are they here?

Young: There are only three of them. Sir Henry and Ballantyne and Purvis.

H.M.Jr: You will have to help me out as to what I have got here, because we were going pretty fast.

Young: On this stuff?

H.M.Jr: Yes. Sit down. Do you know what is what --

Spear: If he is not here, I will go.

H.M.Jr: Yes, he is here. They are coming here. Sit down.

Ed, on this other stuff, I am glad to have you stay if you want to, but it is not necessary.

(Mr. Foley left the conference.)

H.M.Jr: I think I am going to just tell them what we did and we can check this thing off in your office.

Young: Just tell them what they get, not what they don't get.

- 2 -

H.M.Jr: Tell them what they get, yes. Otherwise, I will be here all afternoon arguing.

(Mr. Purvis, Mr. Ballantyne and Sir Henry Self entered the conference.)

H.M.Jr: The President is still waiting to have the Allies come in and sign the contract on those twenty boats.

Purvis: We will do that, then, without further formality. I frankly didn't know it. What I do then is write the letter of application to you for the transfer?

Spear: He would like to have you make the request for the boats and then we clear at this time and leave, because, Mr. Purvis, we made private statements on that thing up there and in order to release the lien and get the - in behalf of the Government, I have got to get a refund on that money.

Purvis: Frankly, I had it to ask you what we had to do. I am sorry I didn't realize or I would have done it before.

Spear: I just wanted to explain that we are ready to go any time you are ready.

Purvis: You will get it tonight. //

H.M.Jr: Thank you, Admiral.

(Admiral Spear left the conference.)

H.M.Jr: Mr. Purvis, this is quite a complicated story as to what you get and you are going to get some things you didn't ask for and some that you did ask for that you won't get. So if you don't mind, I think it will take maybe a half hour to go over it, and I am going to ask you to go back to Mr. Nelson's office, because it has taken me 3/4 of an hour to get it and they have got it all.

Nelson: We have got it all.

- 3 -

- H.M.Jr: It is quite complicated and they have offered some things which weren't on the list.
- Purvis: Quite. I think it is much more --
- H.M.Jr: You didn't fare too badly, but on the other hand, the Army particularly is really down-mouthed about the situation but - you didn't fare too badly.
- Purvis: Fine. On the question you put to me this morning so as to make - in principle on the objection, we are going to go ahead.
- H.M.Jr: Now, just a second.
- Purvis: That leaves the question of price still in the air, because of the situation which has developed this morning, but authority was telephoned to me after I left your room from Beaverbrook and Monet in the same room saying that they are prepared to go ahead.
- H.M.Jr: On the six thousand?
- Purvis: Yes, six and four. If type comes into that picture, it may take a day to clear that, and it may be wise to leave it for a day, but I want you to know that in principle, the thing is OK and subject to the working out, of course, of the details.
- H.M.Jr: Let me just do this now.
(Placing call for Mr. Knudsen.)
- Purvis: The thing that has been worrying Sir Henry, as I mentioned to you last night, is the proper adaptation of engines to aircraft frame designs, which so far have been designed for Wright and Pratt & Whitney engines, and only a few for Allison, and there may be a problem there that we don't know quite where it stands, is that right?
- Self: Yes. If you are going to take the engines made here out into aircraft also made here, then those aircraft will have to be designed for the engines you made. I think Dr. Mead

- 4 -

had it in mind that it was desirable to double bank the Allison design so that one engine will go in the other airplane. That makes a very strong point for everything to be in production quite soon.

(Telephone conversation with Mr. Knudsen follows:)

June 12, 1940
3:50 p.m.

H.M.Jr: Hello.

Operator: Mr. Knudsen.

H.M.Jr: Hello.

Wm. S. Knudsen: Yes.

H.M.Jr: Knudsen, this is Morgenthau.

K: Yes, sir.

H.M.Jr: Purvis is sitting here with me now.

K: Who?

H.M.Jr: Arthur Purvis. Hello.

K: Yes.

H.M.Jr: And he's had a telephone -- with Lord Beaverbrook and the English Government is ready to go ahead with the Rolls Royce engine, taking 60%.

K: Yes.

H.M.Jr: With this proviso -- ah -- Purvis and I sent a cable today -- hello?

K: Yes.

H.M.Jr: jointly, to try to find out when the more advanced engine would be available before they wanted to go ahead with the Merlin 20, you see.

K: Well, Mr. Secretary, we have no information whatever on the Griffin engine.

H.M.Jr: I know, but I sent a long cable today to Ambassador Kennedy asking him whether he couldn't get the details from Lord Beaverbrook.

- 2 -

I ought to have an answer on that tomorrow, but so -- I mean, they'd like to wait another 24 hours and those plans will most likely be here tomorrow anyway.

K: Yeah.

H.M.Jr: But he wants me to tell you that the English Government is ready to do ahead if the -- if this other engine is not far enough developed -- what do you call it

K: We're perfectly sure it isn't.

H.M.Jr: The Griffin isn't

K: We're perfectly sure it isn't that far, sir.

H.M.Jr: Well

K: He'll have to take the 6,000 engines of the Merlin type

H.M.Jr: Well, frankly, I don't think Mead knows because the fellow he's relying on, Olley, does not know.

K: No. I think he'll have to make up his mind to take 6,000 of the Merlin engine.

H.M.Jr: Well, that may be perfectly so, but the man that Mead is relying upon for his information is Olley, and they've refused to tell Olley.

K: I see.

H.M.Jr: So that's why I sent a cable to Ambassador Kennedy and I certainly will have an answer by tomorrow and the plans will be here tomorrow so I don't think that any time will be lost. Do you?

K: I see. Then we wait until we hear from you.

H.M.Jr: Well, they ought to hear certainly by tomorrow, and, as I understand it, the plans will be here tomorrow. They weigh a ton and a quarter.

K: All right, sir. (Laughs)

- 3 -

H.M.Jr: Got room for them? (Laughs)
K: All right, sir. (Laughs)
H.M.Jr: All right. Thank you.
K: Good-bye.

- 5 -

H.M.Jr: He is laughing.

Purvis: As a matter of fact, I believe it is two tons. They tell me it is two tons now.

H.M.Jr: That is right. Anything else?

Purvis: Nothing. I have been asked to put on the table - it is already on yesterday but not specifically, twenty flying fortress Boeings as distinguished from saying - by the way - but I don't want to bother you unduly about that. I will first hear what has happened. The reporters are all out here. Can you give us any advice as to our line? So far we have been, as you know, proceeding exactly in accordance with what you felt was wise, and we have refused to give out any comments. They asked me about destroyers on the way in, and I hedged and said, "Of course, we would like destroyers, battle ships, and anything they could declare surplus in the form of fighting equipment," but we refused to single out destroyers or any other one thing. We naturally are only too happy to take such fighting equipment as may be declared surplus.

H.M.Jr: Let me see if Woodring or anybody said anything.

Purvis: Yes, because you see there is a swarm of them.

Nelson: They are out there.

Young: I think Chick is out there.

(Mr. Schwarz entered the conference.)

H.M.Jr: Chick, could you tell me, did any of the gentlemen who left the room say anything to the reporters?

Schwarz: No, sir. They asked a few of them their names and they told them who they were.

H.M.Jr: Well, I should think the simplest thing is that you are here to discuss additional materiel.

Purvis: But we don't know where we stand. We don't know anything to tell them.

H.M.Jr: You might say you are making progress.

Purvis: We can say --

H.M.Jr: That you are making progress.

Purvis: Encouraged.

H.M.Jr: And there is more material in the wind. Is that what you call it, or on the way.

Purvis: Fine. I am very glad to say that.

H.M.Jr: We are sure that there will be more.

Purvis: Yes.

H.M.Jr: How is that? Because you will get - there is more to come.

Purvis: Yes, excellent.

H.M.Jr: Not very much, but there is more.

Purvis: I am delighted even at some more.

H.M.Jr: That would be accurate because I think it is a mistake to over emphasize it, but there is some more. Good night.

Purvis: Thank you very much indeed. There is nothing special you think is going to come tomorrow? Should I stay over?

H.M.Jr: I think you have done this to me today.

Purvis: I will go away for one day. May I come back Friday?

H.M.Jr: No, today is Thursday, isn't it?

Purvis: No, you haven't got your week-end yet. You have got to last another 24 hours.

H.M.Jr: I don't know whether I can make it.

- 7 -

Purvis: Jacquin has gotten word from the other side and he has been pushing us.

H.M.Jr: Well, of course, I haven't got a piece of paper on the flying fortresses.

Purvis: It was just for example Boeings. I think we might first find where we stand now.

H.M.Jr: What a man.

Purvis: I may go back to New York and leave you free for a day.

H.M.Jr: And --

Purvis: But if you think there is the slightest use in staying over, I will stay over.

H.M.Jr: I think the New York air is lovely.

Treasury Department 68
Division of Monetary Research

Date 6/12/40 19

To: Mrs. Klotz

From:

This is the statement the
Secretary referred to.

also used by

Horn

MR. WHITE
Branch 2058 - Room 210

6-12-40

I want to indicate clearly the Treasury's position with respect to the repeal of tax exemptions affecting interest on all public securities. I am opposed to any action modifying contractual obligations exempting from taxation interest on outstanding Federal securities.

The Treasury is in favor of a repeal of those statutes granting exemption of interest on all future public security issues (Federal, State, municipal and local), including the obligations to be issued under this Act. However, even if the tax exemption affecting future State, municipal and local issues is not repealed at this time, the Treasury wishes to reserve the discretion it now enjoys under the Second Liberty Bond Act and make the interest on the notes to be issued under this Act subject to Federal taxes.

I am here today to give my support to the pending bill for increasing the revenue of the Government and raising the limit of the public debt to meet urgent needs of National preparedness.

Since the members of this committee are thoroughly acquainted with the fiscal situation I will do no more than review it briefly.

The President in his Budget Message of January 3, 1940, estimated that expenditures for the fiscal year 1941 would exceed normal receipts by \$2,876,000,000.

- 2 -

He anticipated that recovery of excess capital funds from Government corporations would yield \$700,000,000, and he recommended that \$460,000,000 additional taxes be imposed to cover emergency defense expenditures. This left an estimated deficit of \$1,716,000,000 to be financed by borrowing.

Events since that time have made it urgently necessary to increase expenditures for National preparedness far beyond the amounts included in the 1941 Budget. It is estimated that, on the basis of appropriation bills which have passed and those which are now pending in Congress, expenditures for the fiscal year 1941 will exceed by \$4,350,000,000 the revenues so far provided.

- 3 -

The borrowing power remaining under the existing debt limit was, on May 31, 1940, \$1,950,000,000, and it is estimated that by June 30, 1940, the unused borrowing power will have shrunk to \$1,700,000,000. In the light of the proposed additional expenditures for National preparedness, it is anticipated that, unless the Congress acts to relieve the situation, the Treasury's authority to borrow will be completely exhausted by the end of January, 1941, and the working balance of the Treasury will be too low for safety. Such a situation calls for prompt action by this Congress.

- 4 -

The Treasury working balance is now approximately \$1,200,000,000. It would be undesirable to permit it to fall much below this level. Reduction of the balance would yield no significant saving in interest cost. When viewed from the standpoint of the insurance and financial security which a large Treasury balance affords, the interest cost of the Treasury bills issued to maintain the balance is small -- at current rates it amounts to only \$130,000 a year. The maintenance of a substantial balance is distinctly in the interests of economy and financial strength because it gives to the Treasury the flexibility in the timing of the issue of securities desirable at all times and particularly needed in times such as these.

- 5 -

The financing of the increase of Federal expenditures for National preparedness requires provision for additional taxes, or a decrease in other expenditures, or an increase in the National debt beyond the present statutory limit. In my judgment all three steps are required.

This bill provides for raising additional revenue of \$729 million for the fiscal year 1941 and approximately \$1 billion yearly thereafter.

The public is willing and ready to accept the additional burdens necessary to support adequate National defense.

- 6 -

It is important not only to increase revenue with which to help finance our preparedness program, but also to cut expenditures wherever feasible.

However, I disapprove of random reductions in appropriations which are likely to enforce premature curtailment of expenditures for relief, retardation of the necessary execution of public works or impairment of essential administrative services.

The enlarged preparedness program will increase employment but its effect will not be immediate.

There will inevitably be a lag of some months. To ~~take~~^{force} men off work relief rolls before the preparedness program has its effect on employment would hamper rather than help our purpose of mobilizing a great National effort to strengthen our defenses.

- 7 -

I am also opposed to placing a disproportionate part of the cost of our National defense program upon Federal employees by reducing their salaries. Along with the rest of the people of this country they will make an increased tax contribution in accordance with their ability to pay. The new taxes will apply equally to them as to other individuals. Many Government employees, too, are already making extra contributions in the form of added hours of work without pay.

- 8 -

I strongly favor the passage of legislation to raise emergency revenue for purposes of National preparedness in the amounts provided in this bill as well as the provisions of the bill raising the limit of the public debt.

Members of the Treasury staff are here and are prepared to discuss technical details with you.

The National City Bank
of New York
ESTABLISHED 1812

New York June 12, 1940.

OFFICE OF
THE VICE CHAIRMAN
OF THE BOARD

Dear Henry:

I am sorry I was away when you called on Monday. I was in Syracuse attending the meeting of the New York State Bankers Association. Had I been on hand to answer your telephone message I should have suggested for the refunding issue just about what you did. It seemed to me the right thing to do, as the market reaction has indicated. I liked also your statement this morning about the tax exemption.

The attached resolution was unanimously adopted by the New York State Bankers Association. They are prepared to be helpful in any way that they can. You may have noticed that they elected me president yesterday for the coming year; so that is another capacity in which you may feel free to call upon me.

Sincerely yours,

Audogh

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

WRB.H

The war in Europe has brought home to our people the long developing threat of dictatorship to those democratic institutions which have given this country the highest standard of living in the world, the widest freedom of life, and the greatest respect for the individual.

Therefore, be it resolved that the New York State Bankers' Association and its members pledge the full weight of their influence toward complete cooperation of banking with industry, labor, agriculture and government in the supreme effort that is needed to bring to rapid fulfillment an adequate program for the proper defense of the United States, and the preservation of those principles on which this nation was founded. We reaffirm our faith in the courage and capacity of our people to meet this challenge without sacrifice of that democratic heritage we seek to preserve."

AIR MAIL

AMERICAN CONSULATE GENERAL

American Foreign Service, Hanoi, Indochina,
June 12, 1940.

SUBJECT: Cargo transitted to China
during May, 1940.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON

SIR:

I have the honor to refer to my despatch no. 85 of May 8, 1940, in regard to the quantity of cargo transitted to China via Indochina during the month of April, 1940, and to submit the following information as to the quantity of cargo transitted during the month of May, 1940. In sum, the acceleration of transit via the Indochina-Yunnan Railway continued favorably and, despite a decline in traffic over the Cao bang road, there was a further appreciable decrease in the amount of cargo at Haiphong awaiting transit to China.

Exclusive of transportation of coal and materials for the use of the railway, the cargo transported by the Indochina-Yunnan Railway during the month of May amounted to 16,628 tons, an increase of approximately 10 per cent over the cargo transported during April. Of this amount, 14,944 tons (including 3,863 tons of rice) represented shipments from Haiphong, 817 tons (including 172 tons of rice) represented shipments from Hanoi, and the balance, 867 tons (including 298 tons of postal material), represented all other shipments. Transportation of coal and railway materials are understood to have amounted to about 3,200 tons as against 2,300 tons during April.

Exclusive of transportation of the railway's own requirements, the daily average during May was 536 tons as against 502 tons during April and as against slightly less than 300 tons during March. Disruption of traffic during several days, due to the washing away of a retaining wall, reduced the month's traffic by somewhat over 1,000 tons.

- 2 -

Other routes of transportation to China via Indochina decreased in importance. According to the Southwest Transportation Company, traffic via the Cao bang road did not amount to more than 900 tons, of which approximately 300 tons were gasoline and petroleum products, the remainder being copper bars, wire, et cetera. It is reported that 104 new trucks entered China by the Cao bang road prior to the ban imposed by the Government General of Indochina. Pack train routes carried not over 300 tons of miscellaneous cargo.

The largest single item of shipment to China was rice (slightly over 4,000 tons), followed by gasoline and petroleum products (about 3,500 tons), materials for the Szechwan-Yunnan Railway (approximately 2,000 tons), et cetera.

Shipping agents at Haiphong estimate that arrivals of cargo at Haiphong for transit to China amounted to not over 3,000 tons, mostly gasoline and petroleum products, and that transshipments to Rangoon and to other possible ports of entry into unoccupied China aggregated about 7,000 tons. Gasoline, trucks, metal bars, et cetera, made up the bulk of these transshipments. The greater part of this cargo, both arrivals and transshipments, is understood to have been Chinese Government cargo.

Total transportation to China, by all Indochina routes but exclusive of the railway's requirements, amounted to 17,828 tons, of which about 11,500 tons were supplies for the Chinese Government and semi-governmental agencies (including the Post Office, Salt Gabelle, Szechwan-Yunnan Railway, Yunnan Provincial Government, et cetera) and the remaining 6,300 tons were for private commercial interests. With new arrivals estimated at 3,000 tons and transshipments at 7,000 tons, the net gain in decreasing the cargo congestion at Haiphong and at other points in Indochina may have been as much as 15,500 tons. Accordingly, at the end of May it is estimated that there remained about 135,000 tons of cargo awaiting transportation to China.

- 3 -

Conditions of transportation for the month of June should be even more favorable, resulting in a further large decrease in the cargo congestion at Haiphong, provided that there are no adverse political developments. But observers are becoming more pessimistic as to such a possibility.

Respectfully yours,

For the Consul at Saigon,

CHARLES S. REED II
American Consul.

In triplicate to the Department (By air mail)
Copies to Embassy, Chungking and Peiping
Copies to Consulates General, Hongkong and Shanghai
Copies to Consulates, Kunming and Saigon

815.4/815.6/800

COPY

10 THE DEPARTMENT OF STATE
RECEIVED JUL 12 1950

10 THE DEPARTMENT OF STATE
RECEIVED JUL 12 1950

PARAPHRASE OF TELEGRAM SENT

TO: American Consul, Milan, Italy

DATE: June 12, 1940, 1 p.m.

NO.: 34

The Department refers to its telegrams of April 19, 6 p.m., No. 14, and May 22, 5 p.m., No. 23. The Treasury Department requests that you discontinue the daily telegraph reports on the market.

HULL
(HF)

EA:LWW

EN

PLAIN

London

Dated June 12, 1940

Rec'd 2:53 p.m.

Secretary of State,
Washington.

1620, June 12.

FOR TREASURY FROM BUTTERWORTH.

The increase in the fiduciary note issue from pounds 580 million to pounds 650 million announced in the House of Commons last night is accepted by the financial press as not indicating inflation for the reasons noted in paragraph 3 of my No. 1549 of June 7. Nevertheless even amidst the over-riding military anxieties of the moment there is realization that steps to coordinate financial with economic policy become increasingly urgent with mounting wage totals coinciding with diminishing supplies of consumption goods which will be intensified by the steps described in paragraph 2 of the above mentioned telegram. Accordingly hopes are expressed that Greenwood and the new Committee set-up, reported in my 1517 of June 5, will soon bear fruit. (I gather that there is a pull-devil pull-baker struggle going on arising out of Greenwood's desire for an economic general staff). For the moment intensification of the

-2- #1620, June 12, from London.

of the savings program tends to meet the situation (the total for the week ending May 28 was pounds 10 million as compared with a weekly average of pounds 5.2 million since the third week of the savings campaign) but there are misgivings occasioned by the postponing of a second budget and the apparent hesitancy of the British Treasury in issuing a new war loan suitable for larger investors and institutions. Meanwhile British Government expenditure for the supply services for the week ended June 8 jumped to pounds 61- $\frac{1}{2}$ million as compared with pounds 48 million the week before, pounds 42 million the week ended May 25, and a weekly average of pounds 41.1 million during the nine weeks April 1 to June 1, and pounds 38.7 million during the thirty weeks September 2, 1939 to March 31, 1940. At the same time the tender issue of Treasury bills continues to increase at the rate of pounds 15 million per week with indications, noted in part 2 of my No. 1593 of June 11, that the market's holdings of bills are probably even larger than indicated by the growth in the tender issue.

KENNEDY

HPD

TREASURY

bx 27 ✓ 85-A

14164

CK

GRAY

Mexico City

Dated June 12, 1940

Rec'd 6:38 p.m.

Secretary of State

Washington

193, June 12, 1 p.m.

Referring to my telegram No. 191, June 11, 3 p.m.
regarding sale of dollars on Mexican exchange, Bank
of Mexico absorbed \$900,000 yesterday. No transactions
of significance today. Dollar currently quoted at
5.15 pesos.

BOAL

EMB

43 2 110

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 12, 1940

TO Secretary Morgenthau

FROM Mr. Cochran

CONFIDENTIAL

Sterling moved within a six-cent range today. The opening rate was 3.75, three cents lower than yesterday's close. After advancing to 3.80 in the mid-morning, the pound moved downward, reaching a low of 3.74 late in the day. It closed at 3.75.

Most of the reported purchases of sterling by commercial concerns were made for the purpose of paying for goods shipped from Great Britain prior to June 10 and now in transit to this country.

Sales of spot sterling by the six reporting banks and the Federal Reserve Bank of New York totaled £470,000, from the following sources:

By commercial concerns.....	£ 38,000
By foreign banks (Europe and South America).....	£422,000
By the Federal Reserve Bank of New York (for Latvia).....	£ 10,000
Total.....	£470,000

Purchases of spot sterling amounted to £377,000, as indicated below:

By commercial concerns.....	£280,000
By foreign banks (Far East, South America and Europe).....	£ 97,000
Total.....	£377,000

The following reporting banks sold cotton bills totaling £6,000 to the British Control on the basis of the official rate of 4.02-1/2:

£3,000 by the Bankers Trust Company
2,000 by the National City Bank
1,000 by the Guaranty Trust Company
<u>£6,000 Total</u>

Spot sterling in the amount of £46,000 was purchased from the British Control at the official rate of 4.03-1/2 by the following banks:

£34,000 by the Irving Trust Company (for rubber and tin)
11,000 by the Guaranty Trust Company (for rubber)
1,000 by the Bank of Manhattan (for rubber)
<u>£46,000 Total</u>

- 2 -

The French franc displayed a firm tendency against both the dollar and the pound. In terms of our money, the franc rose from .0214 at the opening to .0218 in the mid-morning. It remained around that level during most of the afternoon, even though the pound moved off. Consequently, the franc appreciated against sterling to 171.50 francs per pound (as against the rate of 176.40 which has prevailed for some time). Very little inter-bank trading in francs actually took place, however, and the quotations reported by the New York banks consisted mainly of rates at which they satisfied the needs of their own customers. The banks explained that their branches in France were moving from Paris, and that the higher franc rates reflected the difficulty of making franc payments under the existing conditions.

Developments in the other currencies were as follows:

The Swiss franc was steady at an offered rate of .2243.

The Canadian dollar, which closed at a discount of 21-1/2% yesterday, experienced an improvement today. The final quotation was 19-3/4%.

The lira and reichsmark were unchanged at .0505 and .4000 respectively.

The Cuban peso, which has shown a weak tendency in the past few days, improved to 10-7/16% discount today, as against 10-15/16% yesterday.

Late yesterday afternoon, the Mexican peso, which had remained unchanged at .1672 since January 3, rose sharply on substantial offerings of U.S. dollars emanating from Mexico City. It was reported that a larger part of these offerings represented a flight of Mexican capital from the United States induced by the fear in Mexico that our country might become involved in the war. At the end of the day, the peso was quoted at .1818 bid and .2000 offered. These rates again prevailed today.

The yuan in Shanghai advanced 1/4¢ to 6-1/4¢.

There were no gold transactions consummated by us today.

The State Department forwarded to us a cable stating that the Bank of Sweden would make two shipments of gold totaling \$3,153,000 for its own account from Sweden to the Federal Reserve Bank of New York, the disposition of which is unknown at the present time. These shipments will be placed on board two steamers sailing from Petsamo, Finland, in the near future.

The Bombay gold price was equivalent to \$36.16, off 15¢.

CONFIDENTIAL

- 3 -

Spot silver in Bombay declined the equivalent of $1/4\#$ to $45.12\#$. An export of 400,500 ounces of refined silver bullion was made yesterday from the United States to Bombay, according to the Commerce Department's daily statement of silver exports and imports.

In London, the prices fixed for spot and forward silver both rose $1/2d$ to $23-1/2d$ and $21-7/8d$ respectively. According to a report received from London, spot silver rose on bear covering, while the forward quotation was strong as a result of future purchases made by Indian interests. The U. S. equivalents, calculated at the official sterling-dollar rate, were $42.72\#$ and $39.77\#$.

Handy and Harman's settlement price for foreign silver was again quoted at $35\#$. The Treasury's purchase price for foreign silver was also unchanged at $35\#$.

There were no purchases of silver made by us today.

CONFIDENTIAL

B. M. J.

June 12, 1940

STRICTLY CONFIDENTIAL

Mr. Felt

Mr. Cochran

Will you kindly send the following cablegram:

"AMERICAN CONSUL MILAN (ITALY).

Reference Department's 14, April 19, 6 p.m. and 23, May 22, 5 p.m.

Treasury desires that daily market cable be discontinued."

MS:Log:6.12.40

TREASURY DEPARTMENT

90

INTER-OFFICE COMMUNICATION

DATE June 12, 1940

TO: Secretary Morgenthau

FROM: Mr. Cochran

STRICTLY CONFIDENTIAL

At 12:50, on Saturday, June 8, Minister Procope of Finland called on me. He said that he was ready to pay the \$159,000 installment due June 15 from Finland. He wanted us to know that he was not behind the Vandenberg proposal. He had felt sure that something definite and more favorable would be forthcoming from the Administration itself, following the statement made by the President when the December installment was paid. In the absence of this, the Minister is not entirely favorable to a third person, such as Senator Vandenberg, taking up the matter. The Minister added that he was asking Mr. Jesse Jones to permit him to draw upon the unused part of the second Export-Import Bank credit to Finland for funds to enable him to make the debt payment on June 15, and also to amortize credits already drawn under the first Export-Import Bank arrangement with Finland.

The Minister stated that the publicity man of his Legation had been in touch with Mr. Early of the White House, and that the latter had referred him to Assistant Secretary Gaston of the Treasury. The Minister said that he did not insist upon any "show" if he makes the payment on June 15, but desired to know the Secretary's wishes.

When I mentioned this matter to the Secretary on Monday morning, he referred me to Mr. Bell. The latter did not favor any "show".

The Minister spoke with me by telephone this morning. He stated that after discussing the matter with the State Department and receiving a clearance from that Department, he was free to talk the question over with Senators Vandenberg and Harrison yesterday. The State Department had written the Senate Committee that it would like to see something further done for Finland. The two Senators with whom he talked were definitely of the opinion that no legislation could be passed this week or probably this session with respect to the Finnish debt. Vandenberg had the idea, however, that he might seek some formulation of sentiment by his Committee, favoring a reopening of the Finnish debt question, so that this could be taken up later. Minister Procope is, therefore, ready to go ahead with the payment. When I told him that I thought Mr. Bell would not favor the idea of a presentation of the check before the radio, as last time, the Minister said that he would like, nevertheless, to have an opportunity to bring the check in personally and present it either to Secretary Morgenthau or Under Secretary Bell. When I explained that the Secretary was likely to be absent on Saturday, Minister Procope volunteered that he could bring the check in on Thursday.

- 2 -

After this conversation with the Minister, I summarized it to Mr. Bell at 9:20 this morning. Mr. Bell asked me to let the Minister know that he would be glad to receive him at an hour to be fixed after it is learned whether Mr. Bell will be obliged to attend any Congressional hearings after today. I told Mr. Bell that while the Minister did not insist upon a full "show", he had expressed a desire to give out a statement tomorrow that he intends to make the payment, and had observed, furthermore, that one could not prevent the press correspondents from hearing of the affair and coming to the Treasury.

After talking with Mr. Bell this afternoon, I telephoned Minister Procope stating that the Under Secretary would be pleased to receive him at 10:30 tomorrow morning, Thursday, June 13. The Minister replied that he had ordered the check from the National City at New York only after I had spoken with him this morning, and that he feared that it would not be here by 10:30 tomorrow. He requested that the date be postponed until Saturday. Mr. Bell agreed to this, so the Minister is expected to come in at 10:30 Saturday morning with a National City Bank check drawn to the order of Secretary Morgenthau for payment on account of the Finnish Treasury. I told the Minister that the Treasury will not give out any statement until June 15. The Minister said that he planned to give a statement to the press tomorrow in regard to his contemplated payment. He said that it would be impossible to restrain the press reporters and photographers from being around the Treasury on Saturday morning.

In accordance with Mr. Bell's instructions, at 4:30 I telephoned Mr. Livesey of the State Department, with whom Mr. Bell had spoken earlier in the afternoon on the subject of the Finnish payment. I gave Mr. Livesey a summary of the plans. He took no objection thereto. He thought, however, that the Hungarian and Rumanian Ministers might be making some payment tomorrow. This might give them some lead over Procope in the matter of publicity.



STRICTLY CONFIDENTIAL

June 13, 1940

The attached letter was delivered to HM, Jr. at 10:25 a.m., June 10, 1940, by Major Smith, the new liason officer between General Watson and the War Department. He said he hoped we could handle this matter without bothering the President and I said that we would.

The original of this letter was returned to General Watson via Major Smith.

WAR DEPARTMENT
WASHINGTON

June 8, 1940.

MEMORANDUM for The President:

Subject: Release of aircraft.

Tentative arrangements have been made to exchange 93 A-17-A Army airplanes (attack bombers). Bombs to make the airplanes immediately effective must be of our type. Two to three months would be required to re-work these planes to accommodate foreign type bombs. In order to supply bombs, it will be necessary to consider the bombs as an accessory of the airplane. Whether or not this can be legally sustained is questionable.

To furnish approximately one-fifteenth of the number of bombs desired by the Allied Purchasing Agent it will be necessary to release approximately one-seventh of our entire bomb stock in the two sizes required, - 30 and 100 pound bombs. Additional bombs are under order, but the first deliveries will not be made for another six months.

In view of our shortage of bombs, I request your decision in the matter.


Secretary of War.

WAR DEPARTMENT
WASHINGTON

June 8, 1940.

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In view of our shortage of bombs, I request your decision in the matter.

Secretary of War.

June 12, 1940
2:10 p.m.

H.M.Jr: Hello.

Admiral
Towers: This is Admiral Towers.

H.M.Jr: I hope you had a nice day yesterday and the wedding was a success.

T: Thank you very much, sir. Everything went off very smoothly and, thank God, it didn't rain.

H.M.Jr: Good. I take it, it was out-of-doors.

T: It was at the F Street Club, in the garden there.

H.M.Jr: That's nice. Say, Admiral, I keep a diary and I've got a blind spot. I know that you and Captain Kraus came to see me at a quarter of twelve on June 5th, at which time we talked about those dive bombers. Hello?

T: Yes.

H.M.Jr: But I called you up sometime previous to that and asked you to make a survey of what you could spare and I kept no record of when I called you, or whether I called you that morning or the night before

T: You called me at my house the night before

H.M.Jr: I see.

T: and I can verify that from my record because I did make a record of it.

H.M.Jr: I see.

T: You called me at my house the night before.

H.M.Jr: Well, and told you -- do you remember what I told you?

- 2 -

T: You told me -- you gave me in general terms what you wanted and asked me if I would look into the matter and then come and see you at a quarter before twelve the next day to discuss it and that's when I said that I had gone into it and told you about these 50 dive bombers.

H.M.Jr: But I called you up the night before.

T: You called me the night before, yeah.

H.M.Jr: That's why I have no record. Well, if I don't hear from you again, I'll just make a note I called you up the night before.

T: Yes, that's correct.

H.M.Jr: That's correct.

T: I'm sure of it. I can get my diary here in a second and check it.

H.M.Jr: I'll hold on.

T: (Talks aside. Miss Bring that diary in right away.)

I keep a confidential diary and keep it locked up and just make sort of aide memoirs or entries into it.

H.M.Jr: Well, I do too and my secretary's been after me because there's a blind spot when I first called you and I couldn't remember.

T: (Talks aside)

I say under date of June 5th, "At the request of Secretary Morgenthau I proceeded to his office in company with Captain Kraus at 11:45. Mr. Morgenthau had called me at my house the previous evening....."

H.M.Jr: That's right. O. K.

T: and requested this conference."

- 3 -

H.M.Jr: Right. That whole job on those 50 bombers, getting them and getting them out of the country is the most beautiful job I've seen done.

T: Thank you very much.

H.M.Jr: It was a beautiful job. I was very much upset to see that one of those pilots was lost. I hope it wasn't a Naval Reserve man.

T: It was a Naval Reserve man, but fortunately he was a bachelor and the Curtiss Company had taken out insurance, so his family -- I think they had him covered for \$15,000.

H.M.Jr: I see. Well, thank you so much, Admiral.

T: You're entirely welcome.

H.M.Jr: Good-bye.

97-A



BRITISH EMBASSY,
WASHINGTON, D.C.
June 12th, 1940.

Secret.

Dear Mr. Secretary,

In Lord Lothian's absence in New
York, I send you herewith the two latest
reports from London on the military
situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Harold Butler

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.

Telegram despatched from London
on the afternoon of June 11th.

Formal declaration that Italy would consider herself at war with United Kingdom and France from 01.00 hours on June 11th was made by Italian Foreign Minister to British and French Ambassadors at 16.45 hours on June 10th. Thirteen Italian merchant vessels and an Italian patrol trawler have been seized in home waters and Italian s.s. "Umbris" has scuttled in Port Sudan.

2. No further news of enemy naval units reported at Trondheim in my immediately preceding telegram. As no information can be obtain regarding H.M.S. "Glorious" and His Majesty's Destroyers "Acasta" and "Ardent" it is presumed that they have been lost, together with transport "Orama" and tanker oil "Pioneer".

3. Owing to movement of French G.Q.G. little information received on June 10th regarding position on Western Front but general lines of operation appear to be Montmedy-Rethel, thence along River Aisne north of Rheims, thence along River Ourc through Oulchy. West of this position not clear, but line thought to be along River Oise from Compiègne to Pontoise thence along River Seine to Rouen. It is however known that enemy have crossed River Seine southeast of Pont de l'Arche at Venables, Hendebouville and St. Pierre du Vauvray. British reserve units reported yesterday in contact with enemy at above places and also holding ridge at Pont de l'Arche. British division which has been operating in coastal sector reported cooperating with local Havre defences. Troops reported very exhausted. German air raids on Havre reported increasing in intensity and

-2-

swing bridges onto quays have been damaged.

4. Last night Wellington aircraft attacked targets in Soissons area, Whitleys attacked road and rail-crossings east and northeast of Rouen and over River Sceme, and Hampdens attacked crossings over River Meuse and railway junctions at Liart (west of Mezieres) and two other railway junctions northeast of Sedan. Hampdens also attacked oil targets at Dusseldorf and Aachen. All above aircraft returned (except one Wellington) but no reports yet available. Attack by Blenheims on river approaches between Rouen and Les Andelys yesterday was successfully carried out direct hits being claimed on tank and transport columns roads and a railway siding. Large fighter patrols operated over northern France yesterday but visibility was bad and no combats reported. All our aircraft returned.

5. No air attacks on this country in the last 24 hours. Single aircraft reported yesterday over South Coast, Seapa and Wick. Le Havre was heavily bombed.

Telegram despatched from London
on the evening of June 11th.

97-D

1. Malta was bombed at 0515 hours today and one enemy aircraft shot down by anti-aircraft. No further details received. No movements of enemy surface craft reported since outbreak of war. One enemy submarine reported off Algiers but general enemy submarine activity immediately prior to and since outbreak of war appears to be less than expected.

2. Enemy attacks with infantry and tanks continued yesterday along general front Stenay (west of Montmedy) - Compiègne. Some progress believed to have been made between Stenay and Neufchatel-sur-Aisne. Reports of enemy progress in area south of Soissons conflicting but understood that Germans had reached outskirts of Chateau Thierry and Villers Cotterets yesterday evening. Main enemy attack on lower Somme is between Vernon and Rouen. Enemy reported to have established bridgehead east of Louviers and at Vernon. Latter unconfirmed. Estimate enemy infantry which have crossed river Seine east of Louviers consists of four battalions. Report of enemy armoured fighting vehicles south of river Seine not confirmed.

3. British division together with certain French troops now located in St. Valery area. Communications with Pecamp reported cut by isolated enemy armoured fighting vehicles. Pecamp reported in German hands. Two battalions of this division and two French battalions have crossed Seine at Quellebeuf. Two brigades belonging or attached to this division are at Havre. Line being held outside Havre reported as Montvilliers-Pontaine-Le Mallet. Advance portion of armoured division is

is in Bernay area, one armoured brigade is in Ajou area with patrols southeast of Louviers. Remainder of division is north of Le Mans.

4. Dieppe has been successfully blocked and demolitions carried out.

5. Blenheims attacked enemy concentrations east of Louviers. Two aircraft failed to return one known to have crashed in France. Fighters operated over area Fecamp - St. Valery - Dieppe. Two HE 126's shot down confirmed and one ME 109 unconfirmed. One Hurricane missing. British air attacks on enemy communications in France and Belgium last night were successfully carried out and bombing was effective. Attack on oil targets in Germany had to be abandoned owing to bad visibility.

6. Main German air attacks today were in support of army and on area north of Paris. Havre was also bombed. Attacks were carried out against shipping and mine laying continued.

7. Conflicting reports are being received regarding German troop concentrations in Norway but it is known that about 30 merchant vessels are dispersed in fjords between Christiansand and Aalesund and that German naval units are at Trondhjem. Germany could spare at least one or two divisions from existing forces in Norway for overseas operations without counting further reinforcements which could be sent to Norway. Considered possible that threat from Norway might be directed against some northern objective such as Shetlands, Farose, or Iceland.

97-F

BRITISH EMBASSY,
WASHINGTON.

June 13th, 1940

SECRET

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,



The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

REPORT

Telegram despatched from London on evening of June 12th, 1940

1. Nothing to report from Montmoly to East. To the West, French line runs Le Chesne-Vouillers-Brienne-Piaseux-Chateau Thierry-La Ferté-Macauli-Crepy-Verberie, thence along Oise to Mourecourt, thence along Seine to the sea. Germans hold small bridge-head across Sarne at Chateau Thierry, and west of Paris they hold bridge-heads over the Seine at Vernon, Les Andely and Elbeuf. Between Vernon and Les Andely, the enemy are across the river in some force, and hold a line Vernon-Pacy-Sur-Eure-Louviers. Remnants of the 2nd Armoured Brigade are in contact with the enemy along this line. Le Havre was attacked heavily from the air yesterday, and four transports sunk. Also bombed twice last night, but evacuation of British troops continued according to plan and 5,000 were embarked. About 6,000 remain. Situation of British and French troops in St. Valery reported critical at 0100 hours today, beaches being under heavy fire. Every possible effort being made to evacuate this force and maximum air support is being given. 52nd British Division now at Le Havre.
2. German pressure along the whole front between Vouillers-Macauli remains heavy. West of Paris, main German thrust at present is between Vernon and Rouen. Every indication that heavy German attack impends east of Rheims, is now directed on the River Sarne.
3. Niemehuis attacked enemy columns and tanks north of Le Havre yesterday evening. All aircraft returned. Last night Wellingtons set fire to woods on Franco-Belgian frontier north west of Sedan,

matleye/

Whitleys attacked road and railway crossings at Fleury, Abbeville and Amiens and Hampdens attacked communication in the area of Leon-Sedan-Sivet and marshalling yards at Ham and Cologne. Two of our bombers missing. Fighter aircraft operating from England yesterday shot down eight enemy aircraft confirmed and four unconfirmed. One Hurricane missing. In addition one Heinkel 111 reported over South London this morning was shot down near North Foreland.

4. Yesterday afternoon Hudsons attacked enemy force in Trondheim Harbour comprising one battle cruiser squadron 2 cruisers 3 destroyers and 2 supply ships. Direct hits with 250 lb. bombs from 15,000 feet on 2 cruisers. One large transport also hit and appeared to be on fire. One Hudson lost by anti-aircraft fire and another by enemy fighters. Utsira wireless station (near Stavanger) also successfully attacked by Hudson aircraft.

5. Three air raids on Malta yesterday two on military objectives and one on civilian areas. Casualties slight four enemy planes shot down confirmed and one unconfirmed.

6. Yesterday, Blenheims made two attacks on large concentration of aircraft at El Adem (East Libya) causing much damage to enemy aircraft hangars and petrol stores. One British aircraft crashed and two are missing. Two aerodromes at Assara (Eritrea) also attacked by Wellesleys who report attack appeared to be complete surprise and considerable damage done to hangars and aircraft. One Wellesley missing. Aerodrome at Massawa later attacked but no report yet received.

-3-

7. Whitley aircraft despatched to attack targets in Turin and Genoa yesterday. Reports not yet received.
8. Since the beginning of hostilities nine Italian merchant vessels have been captured, 7 scuttled and 2 beached.
9. All quiet in Gibraltar up to 21 hours last night.
10. Corrigendum. Paragraph one of last telegram but one. 0100 hours should read 0000 hours.

97-J

BRITISH EMBASSY,
WASHINGTON, D. C.

Secret

June 13th, 1940.

Dear Mr. Secretary,

I enclose herein for your
_____ personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

L. Hurian

the Honourable

Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.

Telegram despatched from London
late on the evening of June 12th

97-K

Some officers and men were evacuated from Veules this morning but subsequently enemy field guns are reported to have made this beach untenable. At 15 hours today the position on the River Seine-River Sise-River Marne to Reuil-sur-Marne was that enemy were still pressing. An attempt with air cooperation was being made to reduce enemy bridgeheads at Albeuf, Louviers and at Vernon. Enemy armoured fighting vehicles are reported to be attacking Champs, north and west and also to have crossed the River Marne at Jaulonne. The road bridges over the river in Rouen have been destroyed. Germans are in occupation of the right bank of the river with armoured fighting vehicles. No definite information regarding French forces and 51st British Division which were in Saint Valery this morning. The 5th French Army has been withdrawn to the River Marne between Reuil and La Ferte.

3. Today Blenheims have attacked enemy targets at Mareuil, Valuel, and Les Andelys, three of our aircraft missing. Mustangs which attacked enemy communications in area of Laon-Sedan last night obtained direct hits as follows:- Ahrenfeld Gas Works, Hirson Railway Junction, and marshalling yards at La Ferte, convoy and buildings Charleville station/

-3-

station Libramont Petrol and Ammunition Dumps. Hits also registered on aerodromes at Flushing, Hamstede and Metelem. Whitleys despatched yesterday to Turin bombed Fiat works and marshalling yards, considerable damage believed to have been caused. Whitleys also bombed Ansaldo works and docks at Genoa and caused explosion at the former, reports not yet received from some aircraft and a number were unable to complete the task. One aircraft missing.

3. Italian and German air operations yesterday appear to have been similar to that of the previous day. Considerable transport activity between western Germany, Belgium and northeast France.

4. Understood yesterday Sicily Air Command was increased by 180 bombers and 72 fighters.

5. No reports yet of any movements of major units of Italian fleet.

June 13, 1940

My dear Admiral Noyes:

Will you please send for me the following confidential cable to Ambassador Kennedy via secret naval code:

QUOTE - Army is prepared to turn in on June 14th 93 Northrop A-17A planes with bombs furnished by Navy. Rolls Royce plans will arrive in Washington at noon today. Many thanks for your cooperation. UNQUOTE

Yours Sincerely,

Rear Admiral Leigh Noyes, U.S.N.,
Director of Naval Communications,
Room 2622, Navy Building
Washington, D.C.

Sent by Secret Service
6/13/40
H. V. Magenhau, Jr.

June 13, 1940

Dear Mr. Secretary:

The British Government, through Ambassador Joseph J. Kennedy, has shipped to me, as the representative of the United States Government, certain patents, drawings, operation sheets, manufacturing and assembly specifications and working models covering one or more of the Rolls-Royce airplane engines and parts. The shipment, I am informed, is now at the Railway Express office in Washington.

It is my thought, in order not to lose time, that the consignment be turned over to you at once. Since the material has been sent to me, I should appreciate receiving as soon as possible a complete inventory.

There remains to be agreed upon between the British and ourselves the terms upon which the patents are to be made available to this Government. Any licensing arrangements affected by the Army or the Navy will necessarily have a bearing on such settlement. Therefore, prior to the consummation of any negotiations for licensing the manufacture of the engines in this country, I should like to be consulted.

- 2 -

If this arrangement is satisfactory, I should appreciate your indicating your agreement at the end of this letter.

Very truly yours,

/s/ H. Morgenthau, Jr.

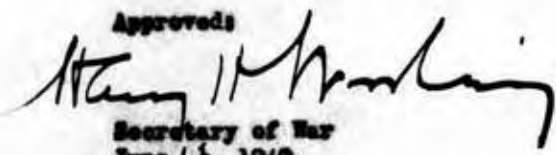
Secretary of the Treasury.

The Honorable

The Secretary of War.

HWJr/Lm

Approved:


Secretary of War
June 13, 1940

Hemp has 33
not seen
I have copies
D21
1/13/46

93 NORTHROP AEROPLANES

Deliveries

We would like to have these delivered at Mitchell Field, New York, in accordance with the following schedule of deliveries:

first day	5
second day	7
third day	5
fourth day	5
fifth day	6
sixth day	6
seventh day	7
eighth day	7
ninth day	8
tenth day	8

and 8 from then on.

Arms and Ammunition

We would like to take deliveries of arms and ammunition, including bombs at New York, if possible at Raritan Arsenal.

Spare Parts and Equipment

We would like to have these consigned to the British Purchasing Commission, care of British Ministry of Shipping, 25 Broadway, N.Y.

In carload lots we would like to have the bills of lading endorsed, export lighterage free; for less than carloads, we would like to have bills of lading marked for export.

Further Information

Complete details will be supplied as soon as possible.

June 12, 1940

C.T.B.

100

13

My place



(G-387-467G-KF)(II-S-37) A-17A AIRPLANE FLIGHT



(G-387-467G-KF)(II-8-37) A-17A AIRPLANE FLIGHT

55361



NORTHROP A-17A

11408 A C

55361



NORTHROP A - 17A

1408 A C

204



52177



18594A.C.



G 309-1081 23 (10/20/36) ...




G-509-1098-23 (10-20-36)

NORTH RUP



CONFIDENTIAL


June 13, 1940

To: The Secretary

From: Mr. Young

Major Brooks reported to me this morning that the 93 A-17A's were proceeding on schedule and should be ready for delivery tomorrow morning. The contract with Douglas for these planes is to be signed this afternoon, and a separate contract covering the bombs and ammunition for the planes, as well as the item of 100,000 charges of nitro-cellulose powder for 155 mm guns (released yesterday) will be signed with one of the powder companies today.

D.Y.

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D. C.

CONFIDENTIAL

June 13, 1940.

MEMORANDUM FOR SECRETARY MORGENTHAU:

Reference the 80 A-17 planes, on detailed investigation I find that these A-17's are approximately 20 miles an hour slower than the A-17A's, have no retractable landing gear, are an obsolete airplane entirely unsuited for present day combat, and would require from 6 weeks to 2 months to be equipped with bomb racks, machine guns, etc., to put them in fair combat condition, and even then for night bombing only.

In view of these facts, indicating that they are of no immediate value for fighting, and that they are of considerable importance to us for Air Corps training, their loss involving a serious handicap to an already aggravated condition regarding training of pilots, I do not believe their release to the Allies is justified.


Chief of Staff.

*Copies of this
sent to
Paul Young
Sam Wilson
6-13-40.*

CONFIDENTIAL

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D. C.

CONFIDENTIAL

June 13, 1940.

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Chief of Staff.

CONFIDENTIAL

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, D. C.

CONFIDENTIAL

June 13, 1940.

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In view of these facts, indicating that they are of no immediate value for fighting, and that they are of considerable importance to us for Air Corps training, their loss involving a serious handicap to an already aggravated condition regarding training of pilots, I do not believe their release to the Allies is justified.


Chief of Staff.

CONFIDENTIAL

CONFIDENTIAL

June 13, 1940.

Dear Mr. Knudsen:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes, May 1 - June 5, 1940; Unfilled Orders and Estimated Deliveries on June 5, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane Engines, May 1 - June 5, 1940; Unfilled Orders and Estimated Deliveries on June 5, 1940.

You will note that these tables carry forward through June 5, 1940, the information furnished you on Monday of this week. An additional copy of each report is enclosed, in accordance with your request transmitted through Mr. Donald Nelson.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William S. Knudsen,
Chairman, Advisory Commission to the
Council of National Defense,
Room 2004, Federal Reserve Building,
Washington, D. C.

By Messenger /^{oo}

GCH:ek


FILE COPY

CONFIDENTIAL

June 13, 1940.

Dear Admiral Stark:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - June 5, 1940; Unfilled Orders and
Estimated Deliveries on June 5, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - June 5, 1940; Unfilled
Orders and Estimated Deliveries on June 5,
1940.

You will note that these tables carry forward through
June 5, 1940, the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral Harold E. Stark,
Chief of Naval Operations,
Navy Department,
Washington, D. C.

GCH:ek

By Messenger / 00


FILE COPY

CONFIDENTIAL

June 13, 1940.

Dear General Marshall:

I am sending you herewith, for your confidential use, the following reports:

Part I - Airplanes

Deliveries of and New Orders for Airplanes,
May 1 - June 5, 1940; Unfilled Orders and
Estimated Deliveries on June 5, 1940.

Part II - Airplane Engines

Deliveries of and New Orders for Airplane
Engines, May 1 - June 5, 1940; Unfilled
Orders and Estimated Deliveries on June 5,
1940.

You will note that these tables carry forward through
June 5, 1940 the information furnished you last week.

Sincerely,

(Signed) H. Morgenthau, Jr.

General George C. Marshall,
Chief of Staff,
War Department,
Washington, D. C.

GCH:ek



FILE COPY

By Messenger /¹⁰

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

June 13, 1940.

Dear Mr. Morgenthau:

I have your letter of June 13, with confidential reports enclosed:

Part I - Airplanes.
Part II- Airplane engines.

I note these reports carry forward through June 8, 1940, the information you furnished us last week.

Thank you very much for this further data.

Faithfully yours,



Honorable Henry Morgenthau, Jr.
Secretary of the Treasury,
Washington, D.C.

TREASURY DEPARTMENT

118

INTER OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau
FROM Mr. Haas *[Signature]*

Attached is a letter from the Republic Aviation Corporation which we received with this week's reports.

The writer asked that I call your attention to the fact that unless they receive some new orders in the near future their production capacities will be partially idle in a few months. In this week's letter to the company I said that I would bring their letter to your attention.

For your reference I am attaching our record of the company's orders and scheduled deliveries.

3300
2700

6000

STRICTLY CONFIDENTIAL

REPUBLIC AVIATION CORPORATION

FARMINGDALE, LONG ISLAND

NEW YORK

TELEPHONE 891

JUN 8 1940

119

A-308

June 7, 1940

RECEIVED

JUN 8 1940

Division of
Research and Statistics

AIR MAIL - SPECIAL DELIVERY

Mr. George C. Haas
Director of Research and Statistics
Treasury Department
Washington, D. C.

Dear Mr. Haas:

Thanks for yours of June 6 in response to which we are submitting the data you requested.

I hope you will be kind enough to call Mr. Morgenthau's attention to the fact that our production capacities here will in a few months be partially idle and that we have quite an extensive possible production capacity which can not be utilized unless we receive orders in the immediate future. In fact, our present production organization can not be maintained unless we have sufficient business to justify same.

I would greatly appreciate your cooperation in this matter.

Sincerely yours,



W. Wallace Kellett

WWK:WN
Enclosure

AIRPLANES

120

STRICTLY CONFIDENTIAL

Deliveries and New Orders*
May 1, 1940 to Date

REPUBLIC AVIATION CORPORATION

Class of purchaser and type of plane	May 1- May 23	May 24- June 1	June 2- June 8	June 9- June 15	June 16- June 22	June 23- June 29	June 30- July 6	July 7- July 13	July 14- July 20	July 21- July 27
<u>DELIVERIES</u>										
U. S. Army										
Miscellaneous		1								
Other Foreign										
XP-1 Pursuit	9	4								
XP-2 Pursuit	2	3								
Total Other Foreign	11	7								
Total All Purchasers ..	11	8	0							
<u>NEW ORDERS</u>										
Total All Purchasers ..	0	0	0							

Office of the Secretary of the Treasury, Division of Research and Statistics
including Spares

Date: June 11, 1940.

SOURCE: Reports from Individual Companies.

STRICTLY CONFIDENTIAL

AIRPLANES

Unfilled Orders* June 8, 1940, and Estimated Deliveries, by Months

REPUBLIC AVIATION CORPORATION

Class of purchaser and type of plane	Unfilled orders* June 8, 1940	Estimated deliveries																									
		1940												1941								1942					
		June 9-30	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total U. S. Army.....	97	1	1	5	6	4		4	6	13	12	15	15	15													
Total U. S. Navy.....																											
Total U. S. Army and Navy...	97	1	1	5	6	4		4	6	13	12	15	15	15													
Total British Empire and France..																											
Total South America.....																											
Total Other Foreign.....	112	13	18	18	17	17	17	12																			
Total Foreign.....	112	13	18	18	17	17	17	12																			
Total U. S. Commercial.....																											
Total Unclassified.....																											
Grand Total.....	209	14	19	23	23	21	17	16	6	13	12	15	15	15													
U. S. Army																											
XP-43.....	14	1	1	5	5	2																					
XP-47 (XP-47A).....	2							1		1																	
P-44.....	81				1	2		3	6	12	12	15	15	15													
Other Foreign																											
XP-1 (P35).....	62	6	10	10	10	10	10	6																			
CPA.....	50	7	8	8	7	7	7	6																			
Grand Total.....	209	14	19	23	23	21	17	16	6	13	12	15	15	15													

June 13, 1940

At lunch with Mr. Knudsen today I told him that I had discussed with the President this morning my idea of making the Allied money go further through not asking them to pay for all of the plant expansion necessary for their program. I said that in the case of Ford the U.S. Government might pay for all of the tools and then the Allies could buy the engines from Ford the same as they would buy motor trucks from General Motors without paying for the tools. The President approved the idea heartily, and pointed out that in the case of Aluminum Company of America we should build a plant for them, pay for it, and then lease it back to them on account of the anti-trust suit pending against the company.

I reviewed the grounds with Mr. Knudsen at lunch, and I told him that if the Allies had a billion dollars I wanted to make it stretch just as far as possible. I then sketched this plan for him and he asked whether it wouldn't be better to let the Allies pay back a certain amount on each engine as they were delivered. He gave the example that if the U.S. Government and the Allies combined were going to place an order with Ford for 20,000 engines and the tools cost \$20,000,000, add \$1,000 to the cost of each engine, and then pay off the money they had borrowed with that \$1,000.

It seems that Mr. Knudsen met with Jesse Jones last night and he reached an impasse with Jones because he (Jones) said that on the plan Knudsen was suggesting he didn't see how he would get paid back. Mr. Knudsen said that for eleven days he has been going around in circles and getting nowhere and that this seemed to be the answer to all his problems. Knudsen then asked, "If I do this will I have Sullivan on my neck?" I said that we would send for Foley and find out. Foley listened to the program and he can see no objection provided that the Ford Company would borrow this money from RFC and agree to pay back the RFC so much per unit as they deliver each unit. Mr. Knudsen then said, "Well, what if we have a cancellation of contracts? Who will lose?" I told him that the government will have to take the loss. I said that if I was the manufacturer I wouldn't want to go into this business and take this risk not knowing how long the French are going to continue fighting. Knudsen then wanted to know what would happen if they ordered a lot of stuff that we couldn't use. I told him that we had already crossed that bridge and they have got to order the kind of stuff we can use; otherwise we don't do business with them.

- 2 -

Mr. Foley then dictated the following paragraph:

Mr. Knudsen wrote a short memo in pencil in my presence to the effect that the cost of the tools would be spread over the units to be produced and the money advanced to be repaid from sales by the manufacturer, the title to the tools to be in the manufacturer and the financing to be on a loan basis, and the goods to be manufactured to be of standard American design.

Mr. Morgenthau then dictated the following:

I suggested that Knudsen talk with the President about this alone after his meeting with him today, and then give me a telephone call to tell me what they had decided, and then I would get in touch with Arthur Purvis and try to have him come in at 9:00 Friday morning to meet with Knudsen, Foley and myself.

124

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 13, 1940

TO Secretary Morgenthau

FROM Mr. Foley For the Secretary's Diary

At a conference yesterday afternoon at the office of William S. Knudsen, Advisor on Industrial Production, which was attended by Mr. Knudsen, myself and Mr. Kades, there was discussed a proposal (which Mr. Knudsen dictated and which is attached hereto) to erect a plant for the manufacturing of Wright aircraft engines.

The plan proposed by Mr. Knudsen contemplates that the RFC advance Wright Aeronautical Corporation the sum of \$50,000,000 for building and equipping such a plant. Title to the land, buildings and machinery would be vested in the Government which would lease the same to the Corporation for 3-1/2 years at a rental for such period of \$14,157,000. This sum is arrived at on the basis of charging \$585 for each motor produced, it being contemplated that the Corporation would manufacture 24,200 engines during that period, this being about 575 engines per month.

For these engines the Government would pay \$363,000,000 which is about \$1,500 per engine. Apparently this figure is arrived at as an average price by estimating the cost of an engine to be \$10 for each horse-power. The profit on the sale of the engines would be about \$25,600,000, or approximately 7% of the contract price if the rent (about 4% of the contract price) is charged as a cost of performing the contract.

I advised Mr. Knudsen that his plan would be satisfactory up to this point and that the rental could be charged as a cost on this basis. However, Mr. Knudsen's plan also contemplated that at the expiration of the contract Wright Aeronautical Corporation would have the option to purchase the building and equipment at 50% of the balance between the initial cost and the rental paid. In other words, the Corporation having paid \$14,157,000 in rent would receive that amount as a credit on the purchase price plus an additional credit of \$18,000,000 and could buy the plant by paying the Government \$18,000,000. I stated that giving such an option would be very doubtful.

After paying the purchase price of \$18,000,000 from its profit of \$25,600,000, Wright would have left \$7,600,000 plus a new plant costing \$50,000,000. Whether the profit would exceed the limit of 12% of the contract price and Wright get a windfall would depend upon the market value of the plant upon the completion of the contract. I explained to Mr. Knudsen that, although this is anybody's guess now, to depreciate a plant of this character by 36% in 3-1/2 years would be difficult to justify, especially since an additional 28% of the cost (returned to the Government as rent) is included by Wright in the price charged the Government for the engines.

We also considered various ways of handling the special machinery problem. I suggested that the manufacturers borrow money from the RFC for the purchase of the machinery in their own name and repay the same as deliveries to the Government are made, the RFC being meanwhile secured by a chattel mortgage on the machinery.

S.M.H.

C O P Y

June 11, 1940

Referring to the Curtis Plant proposal of \$50,000,000 to be furnished by the R.F.C. for plant "J" investment, my suggestion is that the R.F.C. turn the required funds over to the Curtis-Wright Company which builds and equips the building, which is Government property.

The Curtis-Wright Company will rent the building and equipment from the Government for 42 months to manufacture 24,200 motors and will pay in rental, \$585.00 per motor produced, or \$14,157,000.00, this rental being a legitimate charge against cost, but with no profit to the manufacturer.

At the expiration of the contract the manufacturer will have the option to purchase the building at 50% of the balance between first cost and the rental paid.

In this way the manufacturer, on a cost of sales amounting to \$363,000,000 will have the plant at half value, plus a profit of \$25,638,000.00 or approximately 7%. The Government will have an expense of \$32,078,000.00 or \$1,326.00 per motor, or approximately 8.8%.

June 13, 1940

Memorandum for the Secretary's Diary

At the Secretary's request, Ed Foley and Chuck Kades called on Mr. Knudsen at his office in the Federal Reserve Building today at 5 p.m.

Mr. Knudsen said that he had talked with the President after the meeting of the Advisory Commission to the Council for National Defense concerning the program for financing plant expansion and tooling as agreed upon with Secretary Morgenthau and Mr. Foley at luncheon today. The President, according to Mr. Knudsen, said that he was in general accord with the scheme, but if there were monopolies then the Government should not loan, but should construct and lease the plant to the manufacturer. Mr. Knudsen said that he wanted to write out the formula which he did in his own hand and gave it to Mr. Foley to dress up in legal language. Foley told him that he would work it over tonight and give it to him when he came to the Secretary's office tomorrow morning at 9 o'clock.

The following is what Mr. Knudsen handed to Mr. Foley:

"The Treasury Dept. agrees to the principle that plants built or equipment furnished in the emergency shall be titled to the manufacturer and handled thru the R.F.C. on a loan basis. The cost of such plant and equipment shall be spread over the total requirements in numbers of pieces. The amortization charge will be a legitimate part of the price per unit, but will carry no profit to the manufacturer. The funds obtained thru this method will be remitted to the R.F.C. as units are sold.

"This is applicable to domestic or foreign business with the proviso, however, that foreign orders must be standard American material. No material of special design can be included. The assumption is that Government will assume loss due to cancellation before completion of the orders."

E.N.Fh

The Treasury ^{Dept} agrees to the principle that Plants Built or Equipment furnished in the Emergency shall be titled to the Manufacturer and handled thru the R. F. C. on a loan basis. The Cost of such plant and equipment shall be spread over the total Equipments in numbers of Pieces. The Privilege charge will be a legitimate part of the Price, but will carry no profit to the Manufacturer. The funds obtained thru this method will be remitted to the R. F. C. as units, as sold.

This is applicable to Domestic or Foreign business with the proviso that foreign orders must be standard standard material. No material of special design can be included. The Assumption is that Government will assume loss due to cancellation before completion of the order.

The Treasury ^{Dept} agrees to the principle that Plants, Built or Equipment furnished in the Emergency shall be titled to the Manufacturer and handled thru the R. F. C. on a loan basis. The cost of such plant and equipment shall be spread over the total equipments in numbers of pieces. The amortization charge will be a legitimate part of the price, but will carry no profit to the Manufacturer. The funds obtained thru this method will be admitted to the R. F. C. as units, as usual.

This is applicable to Domestic or Foreign business with the caveat that foreign orders must be standard to stock material. No material of special design can be included. The assumption is that Government will assume loss due to cancellation before completion of the orders.

June 13th at 6 p.m.

Mr. Stettinius just phoned to say that you had asked him to give you a list of dates of delivery on bombs, and the information has not yet been arrived at. The engineers are working tonight on the matter and will have tomorrow afternoon, for the first time, exactly what they can do in the way of delivery. As soon as he gets this information he will phone you and tell you.

N. M. Chauncey

THE ASSISTANT SECRETARY OF THE NAVY
WASHINGTON

13 June 1940

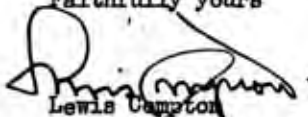
My dear Mr. Secretary:

Thank you for your Memorandum of 10 June 1940, enclosing a copy of the Memorandum to you from the President, dated 6 June 1940, instructing the Secretary of War and the Secretary of the Navy to clear all contracts for purchases through Mr. Knudsen, Commissioner of the Advisory Commission to the Council of National Defense.

May I take this opportunity to express to you the appreciation of the Navy, as well as my own, for the courtesy and cooperation which you and your Staff extended to the Department during the time that you cleared these contracts.

With kindest personal regards, I remain

Faithfully yours



Lewis C. Gumpston

Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury
Washington

RSM

PLAIN

London

Dated June 13, 1940

Rec'd 5:51 p. m.

Secretary of State,
Washington.

1639, June 13.

FOR TREASURY FROM BUTTERWORTH.

One. There have been rumors in the City and elsewhere as to how far the President's indication of material aid to the Allies included credits or other financial facilities and some discussion on this subject has appeared in today's financial press. The most noteworthy article appears in the Lombard Street column of the FINANCIAL NEWS. Although this is written by Einzig, nonetheless the chairman of the FINANCIAL NEWS is Brendan Bracken, M. P., who has become Winston Churchill's parliamentary private secretary and was made a Privy Counselor a few days ago. Furthermore the freedom with which the British Treasury is now granting permission for dollar purchases is as much a confirmation of the following as it is a response to the urgency of the situation:

"Fortified by President Roosevelt's pledge, however, the Allied governments presumably will consider it safe
unhesitatingly

hsm -2- No. 1639, June 13, from London

unhesitatingly to buy for cash all the war material available on the assumption that their chances of obtaining maximum quantities of modern materials as soon as they become available will be in no way prejudiced. If in the meantime their gold and foreign exchange resources are reduced they will have to presume that the United States will not withhold necessary weapons for resisting the Nazi-Fascist aggressors merely because the Allies lack dollars to pay for them. By the time any such question arose, the administration should have had a reasonable opportunity to overcome any isolationist resistance to legislative changes enabling the Allies to obtain war material on a credit basis. If so, it may be reasonable to assume that henceforth the volume of American war deliveries will be determined by the capacity of the American armament industries--which can be extended rapidly. Financial considerations presumably will not weaken the material support promised by President Roosevelt."

As the FINANCIAL TIMES and the TIMES point out, a rumor also gained currency in the City that the British authorities are to borrow American securities declared by British owners and not commandeer them for sale because funds might be allowed to be raised in America against their deposit". On which the TIMES cautiously comments: "Indeed, it seemed to be based as much upon a wishful

interpretation

hsm -3- No. 1639, June 13, from London

interpretation of the extent of United States political goodwill as anything else".

Two. The British Treasury announces with reference to the provisions of regulation 3B of the defence (finance) regulations 1939 that permission for the issue of securities in a form transferable by delivery will not be given in any instance where it is possible to issue those securities in registered or inscribed form. Where special circumstances exist which might be held to justify the issue of securities transferable by delivery (e. g. temporary documents) applications may be made to the Capital Issue Committee if the issues of the securities concerned require Treasury consent under regulation 6 (control of capital issues). In all other cases, applications should be addressed to the Bank of England Exchange Control.

Three. The British Treasury have also made two orders, the defence (finance) (restriction of payments) (No. 2) order 1940 and the defence (finance) (export of goods) (No. 2) order 1940, giving effect to an arrangement which has been made with the Argentine authorities for regulating payments between the two countries. Under the provisions of these orders as from the 14th June all payments to persons resident in the Argentine from persons resident in the United Kingdom of a commercial or current financial nature may only be made in sterling to an Argentine special account

hsm -4- No. 1639, June 13, from London

account with a United Kingdom bank registered as such by the Bank of England under the defence (finance) regulations and all exports from the United Kingdom to the Argentine must be paid for in sterling from a special account. As heretofore, all other remittances from the Argentine to the sterling area will also be made by the debit of a special account.

KENNEDY

NK

TO THE DIRECTOR
TECHNICAL DIVISION
ARMY AIR FORCE
WASHINGTON 25, D.C.

13 JUN 1951

RECEIVED
TECHNICAL DIVISION
ARMY AIR FORCE
WASHINGTON 25, D.C.

White House Monday

135

*King has
not seen -
other copy
PL*

MEMORANDUM

Aeroplanes

We have received a request from France for twenty 4-engine Boeings (flying fortresses) to be released immediately with the idea that they be flown over to the other side.

As there are important orders on hand with Consolidated Aircraft Corporation for 4-engine Boeings it would be possible to replace, next year, such deliveries as could be conceded to us now.

New York,
13th June, 1940

June 13, 1940
9:06 a.m.

H.M.Jr: Hello.

Operator: Mr. Purvis. Go ahead.

H.M.Jr: Hello.

Arthur
Purvis: Hello.

H.M.Jr: Arthur?

P: Yes.

H.M.Jr: Good morning.

P: Good morning, sir.

H.M.Jr: How are you?

P: Very well, thank you.

H.M.Jr: Arthur, could you give me -- ah -- approximate figure of the amount of money that you either have or have signed contracts for for plant expansion in this country.

P: Yes, I'm sure we can get that. You want that for the British and French?

H.M.Jr: Yes. Oh, I want a good guess, I mean, couldn't you just give me one?

P: Oh, I see what you mean. Well, now, let me see. Off hand already -- when you say signed contracts you mean either letters of intention or contract.

H.M.Jr: Yes, I mean, like powder factories and things like that.

P: \$100 -- let me see -- \$200 -- it's a little difficult. I should say it might be anywhere between 300 and \$500 million.

H.M.Jr: In plants?

- 2 -

P: I would think so because you see the -- the airplane is approximately, I suppose \$100 million, isn't it?

H.M.Jr: I thought that was around \$60.

P: Ah, but you see that was when you were at Pratt and Whitney, was it not?

H.M.Jr: Yes.

P: And look here, I think before I give you -- just let me ring you back in five minutes.

H.M.Jr: Well, if you could ring me back any time before 9:30 because I have something very important that I want to use it for.

P: Yes.

H.M.Jr: See? Very important.

P: Yes, I'll do that. And one other thing

H.M.Jr: If you could call me back in the next 20 minutes and give me an approximate figure of how much you people are putting into plants

P: Yes, I'd rather do it that way. It won't take me, I don't believe, more than 10 minutes.

H.M.Jr: Right.

P: Thank you.

June 13, 1940
9:14 a.m.

H.M.Jr: Hello.

Edward R.
Stettinius: Good morning, Mr. Secretary.

H.M.Jr: How are you?

S: Good, sir.

H.M.Jr: I wonder if from your former company you could get something for me?

S: Right.

H.M.Jr: I'd like to know, first, if they would give you for me the list of the bombs which were in this order, I mean, how much of each the way it was finally set up, you see.

S: Yeah.

H.M.Jr: And then, what is the date of the first delivery and when do they complete delivery on each group of bombs, I mean, how long will it be before they begin to deliver the 30-lb. bombs and when do they finally deliver, you see?

S: By the various items.

H.M.Jr: By the various items.

S: Yeah.

H.M.Jr: Because I think that I'm being kidded and I don't like to be kidded.

S: You want me to check this from the other side rather than from this side.

H.M.Jr: I'd like you, if you would do it with Steel

- 2 -

S: Right.

H.M.Jr: Directly with Steel, because I think the Army is kidding me.

S: I shall do that immediately, sir.

H.M.Jr: I may be doing them a gross injustice

S: Ah -- I'll get -- it might take me a few hours to get it.

H.M.Jr: Oh, wonderful!

S: O. K.

H.M.Jr: But you see what I want.

S: I understand.

H.M.Jr: Thank you.

S: Right-o.

June 13, 1940
2:31 pm.

H.M.Jr: Hello.

Operator: Go ahead.

H.M.Jr: Hello. Hello.

Arthur Purvis: Hello, good afternoon.

H.M.Jr: How are you?

P: Very well, thank you.

H.M.Jr: Arthur, I don't want to raise your hopes too much, but I think I've worked out a new formula whereby you would -- how shall I say -- be paying for your goods that you ordered in this country -- whereby you wouldn't have to put down the money in advance.

P: Oh, good.

H.M.Jr: And I had lunch with Knudsen and he says that this is the answer that he's been looking to for eleven days on everything. He wants to apply it to everything. Hello?

P: Yes.

H.M.Jr: The thought being -- is that the Government would advance the money -- this Government -- hello?

P: Yes.

H.M.Jr: to the manufacturer and then as he delivers each unit, he would add the extra amount for either machine tools or whatever the cost is to the unit, and then pay back to this Government what we've advanced him.

P: I see. So that in effect would mean that not even in the case of the machine tools would we have to put the money up in advance.

- 2 -

H.M.Jr: Correct.

P: That would be very satisfactory.

H.M.Jr: Wouldn't it?

P: Excellent.

H.M.Jr: Well, Knudsen is crazy about it. I talked about it with the President this morning but it is so far-reaching and runs into so much money that I asked him to talk to the President about it again this afternoon when he saw him.

P: Yes.

H.M.Jr: And I'd appreciate it if you wouldn't tell this to a living soul until we've definitely cleared it.

P: No, I won't.

H.M.Jr: If I hear from Knudsen after this meeting it's all right. I think it's sufficiently important that you be here at 9:00 tomorrow morning to sit down with Knudsen and me.

P: Who'll there be?

H.M.Jr: Just you, Knudsen and I.

P: Yes. Good.

H.M.Jr: At 9:00 tomorrow morning.

P: All right.

H.M.Jr: To settle this because then he'd go ahead and this would be the formula for everything from now on.

P: Excellent.

H.M.Jr: Starting with the Ford Motor Company.

- 3 -

P: Yes.

H.M.Jr: Where the tools run to \$30 million, you see?

P: Yes. That would be very good indeed.

H.M.Jr: You see?

P: Excellent.

H.M.Jr: Now the only proviso we'd make on this is that all the manufactured goods under this would have to be subject to American design and pattern.

P: Yes.

H.M.Jr: I mean, in other words, we wouldn't want to make special things we couldn't use ourselves.

P: No, naturally.

H.M.Jr: I mean that out of this production line would have to come something which we could both use. That would only be fair.

P: That would be reasonable.

H.M.Jr: Don't you think so?

P: I think so.

H.M.Jr: Well, I'm quite excited about it.

P: Yes. Then, as a matter of fact, it's the first -- it's the first possible break though in a long subject, isn't it?

H.M.Jr: Well, I know it is for you and Knudsen says for eleven days he's been going around in circles trying to get a formula.

P: Yes.

H.M.Jr: And he's taken it, and he's crazy about it.

P: Yes. Well, now I think that's simply splendid. I'll be there at 9:00 o'clock with the greatest pleasure.

- 4 -

H.M.Jr: Well, let's leave it this way. I'll call you either way just as soon as I hear from him and I'll hear from him within an hour.

P: All right, splendid.

H.M.Jr: But I'm quite excited about it because it really ought to be very helpful to you.

P: Yes, exactly.

H.M.Jr: And that's what I want it to be, and I've been trying to rack my brain to find something to make your money go further.

P: Yes, exactly. It becomes very important now that we probably will be forcing the issue in purchases very strongly.

H.M.Jr: Yes, but, I mean, this stretches your money.

P: No.

H.M.Jr: Doesn't it?

P: Oh, what was that?

H.M.Jr: I say, this makes your money go further.

P: Oh, it stretches it, definitely.

H.M.Jr: Yes.

P: Oh, definitely.

H.M.Jr: Now, one other little thing. In a cable that I got late last night from Kennedy

P: Yes.

H.M.Jr: He'd been in touch with Lord Beaverbrook, and Beaverbrook had given him a number on these Rolls engines of 3300, and I think Sir Henry Self said 3600.

P: Yes.

- 5 -

H.M.Jr: And Mead has been bothering me which it would be and I said, well, after all, take the higher figure.

P: As I understand the difficulty which has not -- when I got the message yesterday, I think I told you it was in the form of a rather violent telephone message from Lothian who had been speaking to Beaverbrook on another matter, and Beaverbrook had Monnet with him.

H.M.Jr: Oh, yes.

P: And had said that -- will you please get a message quickly to Arthur Purvis saying that he can go right ahead. Now then, the -- Monnet will send a cable authority to him tonight

H.M.Jr: Well, that's tough.

P: for the thing. Well, now then when the -- we get in this morning, there is no cable from Monnet on that subject, probably due to the fact that yesterday was a pretty hectic day and today may be even more hectic.

H.M.Jr: Right.

P: But what I -- as I see it, on the British side there is a definite confirmation saying, yes, 3300 are ours and what I'm really waiting for now is Monnet's cable saying yes, 6,000 is the total for the combined two Governments and the French are sending you separately the necessary authority on the 2700.

H.M.Jr: Well, I

P: Well, I'm expecting -

H.M.Jr: Well, I just wanted to let you know that the figure that Kennedy used was 3300.

P: Yes.

- 6 -

H.M.Jr: And I'm not going to fuss with it any more. I'm going to leave it with you.

P: Yes, quite. I'm hoping very much that at any minute this afternoon the cable will come in from Monnet because he specifically said it was coming yesterday.

H.M.Jr: All right. Well, I'll let you know. I'll have somebody phone your office just as soon as I hear but I think that you ought to -- I want you to sit in on this for I really think it's important.

P: Oh, it's -- it might be quite vital.

H.M.Jr: Yes.

P: Thank you ever so much.

H.M.Jr: I'm trying to think up something every day.

P: (Laughs) And thank heavens there's somebody there who is.

H.M.Jr: All right.

P: Thank you, Henry.

H.M.Jr: Good-bye.

P: Good-bye.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

June 13, 1940

MEMORANDUM TO THE SECRETARY:

I should think you might announce at your press conference the following:

Preliminary reports from the Federal Reserve Banks indicate that we have received approximately \$260,000,000 of the 3-3/8% Treasury bonds in exchange for the new 1% note. We will get a further report late this evening as to the amount included in last night's mail, which will increase the above amount.

WOB

HSM

GRAY

Paris

Dated June 13, 1940

Rec'd 5:15 a. m., 15th

Secretary of State,
Washington.

URGENT

1170, June 13, noon.

FOR THE TREASURY.

Dean Jay of Morgan's who left for Niort at 2:30 a.m. this morning advised the Counselor last evening that a sudden and secret meeting of the Paris banks was called by the Bank of France on Monday afternoon. The banks were informed that the Bank of France at Paris would hereafter operate as a branch and not as the head of the institution. In the event of German occupation of Paris the banks have been instructed to destroy all bank notes in their possession here. A proces-verbal including a list of the bank notes thus destroyed is to be made in each instance and will be used to obtain replacements of such notes from the Bank of France at the termination of the war.

The National City Bank and Chase have closed their offices in Paris. Morgan's and the Guarantee still
remain

hsm -2- No. 1170, June 13, noon, from Paris

remain open with skeleton staffs. The banks no longer receive deposits and no transactions in foreign exchange are being carried out.

BULLITT

RR

TO THE DIRECTOR
TELETYPE UNIT
U.S. DEPT. OF STATE

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RECEIVED
JUN 13 1948

JI

PLAIN

LONDON

Dated June 13, 1940

Rec'd 9:26 a.m.

Secretary of State

Washington

1631, June 13, 2 p.m.

FOR TREASURY FROM BUTTERWORTH.

With regard to the Anglo-Japanese agreement reached in Tokyo yesterday, the detailed terms of which the British Treasury state have undoubtedly been communicated to Washington through our Embassy in Tokyo,

Pincent is to be instructed to make inquiry as to whether the United States will purchase the ten percent of the amount held in Tientsin, the proceeds of which are to be allocated for Chinese relief under the supervision of the international commission. If so it will be shipped to San Francisco; if not it will no doubt have to be absorbed by India.

KENNEDY

HSM

AC

PLAIN

London

Dated June 13, 1940

Rec'd 9:15 a.m.

Secretary of State

Washington

1630, June 13, 1 p.m.

FOR TREASURY FROM BUTTERWORTH

Under a new Order in Council the maximum penalties for offences against the Defence (Finance) Regulations, 1939 are increased. The regulations previously prescribed maximum penalties of three months' imprisonment and a fine of £100 on summary conviction and two years' imprisonment and a fine of £500 on conviction on indictment. The new order provides that as an alternative to these fines penalties imposed may now include a fine not exceeding three times the value of the subject matter of the offense.

The Treasury also gave notice that it is proposed to compile a list of numbers of bearer securities which are owned by persons in enemy territory or enemy-occupied territory or which have fallen into enemy hands. Information is to be sent to the Bank of England, Securities Registration Office, without delay through the company secretaries or paying agents in this country if the

securities

- 2 - #1630, June 13, 1 p.m. from London

securities were issued in the United Kingdom and through a bank in the United Kingdom if they were issued abroad. Names and addresses of beneficial owners, place of deposit and definitive numbers and denominations of bonds, warrants, et cetera, and all other relevant particulars are to be given in the fullest detail.

KENNEDY

HSM

TO THE DIRECTOR
SECURITY DIVISION
WASHINGTON, D. C.

630 JUN 13 5 11 00

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JUN 13 1953