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Senator Charges War Agency Corrupt

WASHINGTON (AP)—Senator Bunker D. Nev., charged in a senate address yesterday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared yesterday that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

From
HERALD TRIBUNE
New York City

Day in Congress

From the Herald Tribune Bureau
WASHINGTON, April 9.—Activities in Congress today were

SENATE

Met at noon.
Heard Senator Bunker criticize government contract with Basic Magnesium, Inc.

Received Murray bill to authorize P. W. A. to operate synthetic rubber plants, and establish United States rubber authority.

Received bill authorizing merger of telegraph companies.
Heard Senators Ball and Wiley praise Norwegian resistance.

Confirmed reappointment of Commander Vickery to Maritime Commission.

Recessed at 1:25 until noon Monday.

HOUSE

Met at noon.
Received Cartwright bill to authorize additional \$100,000,000 for defense access roads.

Received Better bill for creation of United States rubber authority.
Adjourned at 1 p. m. until noon Monday.

APR 10 1942

DEFENSE PACT SINISTER SAYS NEVADA SOLON

WASHINGTON, April 10 (AP)—Senator Bunker (D-Nev.) charged in a senate address Thursday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

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The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the president and the American people."

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APR 10, 1942

FT. WORTH, TEX. MORN. STAR

Jones Denies Senator's Charges of Corruption

WASHINGTON, April 9 (AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate Thursday by Senator Bunker of Nevada and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery

Pleasure Park about 2 a. m. after a most uncomfortable journey.

Defense Plant Scandal Is Being Aired

Senator Bunker Of Nevada Demands Thorough Investigation

WASHINGTON (AP)—Senator Bunker (D-Nev.) charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation, and added:

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Basic Magnesium Could Make 4,280 Per Cent Profit

WASHINGTON, April 9 (AP)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the Government's Defense Plant Corporation.

The charges were voiced by Sen. Berkeley L. Bunker, D. Nev., who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

TERRIFIC PROFIT
Charging the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "(His) statements are unworthy of a United States Senator and cannot go unchallenged."

SO SINISTER
Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people."

CROSS-SECTION
He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

Bunker scores profiteering in magnesium

WASHINGTON, (AP) A charge that the defense plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker (D. Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The defense plant corporation is a subsidiary of the reconstruction finance corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the defense plant corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

"International Angle."
Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55 percent of stock, he said, was held by refractories.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 percent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R. Idaho) congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

APR 10, 1942
BEAUMONT, TEX. JRL. 315

Probe Urged Of Magnesium Plant 'Fraud'

Nevada Senator Stung By Jones' Rebuke Calls For Action

WASHINGTON, April 10. (INS)—Senator Berkeley L. Bunker (D-Nev.) today demanded an early and complete public investigation of a \$70,000,000 magnesium plant being constructed in Nevada with government funds.

Bunker made his demand after RFC Chairman Jesse Jones bitterly assailed the senator for alleging that "frauds" are being perpetrated by the defense plant corporation, an RFC agency, and the Basic Magnesium corporation, builders of the plant.

Stung by Bunker's continued charges against the defense plant corporation, Jones criticized the senator for making "false and misleading statements... unworthy of a United States Senator."

Refusing to back down, the Nevada senator, who is serving the unexpired term of the late Sen. Key Pittman, retorted that Jones "evidently doesn't know what is going on in his own organization."

Urging the Truman defense investigating committee to speed public hearings on the matter, Bunker said he would further answer Jones on the senate floor Monday.

The Nevada charged that the contract with Basic Magnesium, an American-English owned firm which plans to extract magnesium from public land, is one of "the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee."

The firm, he said, stands to make a profit of 4280 per cent, by putting up only \$50,000 of the cost of the \$70,000,000 project.

This article was clipped from
JOURNAL OF COMMERCE
"America's Leading Business Newspaper"
New York City

APR 10 1942

MAGNESIUM DEAL ASSAILED IN SENATE

Bunker Charges Against D.P.C. Accord With Basic Co. Denied by Jones

(Bureau of Journal of Commerce)
WASHINGTON, April 9.—After Senator Bunker (Dem., Nev.) charged today that the Defense Plant Corporation has entered into an agreement with the Basic Magnesium of such nature as to indicate "that some officials in our Government are guilty of malfeasance in the performance of their duties," Jesse Jones, Federal Loan Administrator, replied that Mr. Bunker's speech "contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

Jones Answers Charges
Mr. Jones claimed that no suspicion can be cast upon the operations of his lending agencies, for everything they have done has been on a sound business basis. Several Senators said that the Bunker charges are the opening gun at campaign to prove that Mr. Jones either does not know everything that happens in his organizations or is not the business man he claims to be.

Mr. Bunker said that Basic Magnesium, Inc., came into being in 1941, promoted by Howard P. Ellis, Jr., of Cleveland, Ohio, president of Basic Refractories, Inc. This corporation, he said, had obtained development rights on thirty-six mining claims on the public domain of Nye County, Nev.

The claims were transferred by Basic Refractories to Basic Magnesium, he said, in return for 55 per cent of the stock of Basic Magnesium. The remaining 45 per cent of the stock in Basic Magnesium, Senator Bunker said, was given to Magnesium Elektron, Ltd., of England, which furnished the knowledge of a refining process.

"There is serious question as to the contribution of Magnesium Elektron of the process," the Nevada Senator stated, "since they do not own, nor do they have the license to operate this process in the United States. American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to Aluminum Corporation of America, and one-half of which belongs directly or indirectly to German interests."

Urges Senate Probe
Senator Bunker said the Senate should demand an investigation of the Defense Plant Corporation, and a rewriting of the basic magnesium contract.

Mr. Jones replied that Mr. Bunker's statements "accusing R. F. C. officials of wrongdoing cannot go unchallenged, and are unworthy of a United States Senator." He said the Las Vegas, Nevada, plant will cost about \$70,000,000 and have a capacity of 112,000,000 pounds of metallic magnesium.

"Nine separate contractors are participating in the construction," Mr. Jones said, "and their fees, together with the fee to Basic Magnesium, will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium products, which is about 2 per cent of the estimated cost," added Mr. Jones.

The R. F. C. chieftain reported that:

"The royalty for the ores will not exceed one-fourth cent per pound of magnesium metal produced."

No irregularities have been discovered in construction of the plant which would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with construction of the plant as well as its operation are carefully audited as the work progresses.

Defense Plant Corporation contracted with Basic Magnesium for construction of this plant at the request of O. P. M. and the War Department, and the Government's interest is fully protected.

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Edson in Washington

MAGNESIUM FIRM USES U. S. MONEY TO BUILD UP PROFITABLE BUSINESS

By PETER EDSON

WASHINGTON, April 10 (AP)—"One of the most flagrant attempts at war profiteering to come to its notice" is to be given a Washington airing some time soon when Sen. Harry S. Truman's special committee investigating national defense has a further look at the affairs of Basic Magnesium, Inc., Cleveland, O., operating company now building a \$63,000,000 magnesium plant near Las Vegas, Nev., using the government's defense plant corporation money. A sub-committee of senators under Mon C. Wallgren of Everett, Wash., had a preliminary look at Basic Magnesium's layout several weeks ago. What the senators found there was evidence that the company, on an original investment of \$50,000 to prove magnesite ore deposits claimed from the public domain, stands to make a possible \$280,000 per year royalties, plus a possible \$560,000 per year operating fee, for the next 30 years. Hence the committee's label of "flagrant war profiteering."

The story behind Basic Magnesium, Inc., is another of those romances of big business, rivaling in some respects the Truman committee's current disclosures on the I. G. Farbenindustrie, or German dye trust attempts to control synthetic rubber development in the United States. As a matter of fact there is even a chapter in the Basic Magnesium, Inc., story that leads back to IGF control of the process which BMI proposes to use.

Daisy chain

Up to the beginning of the defense emergency, the United States had only one magnesium plant in operation, a 9,000 tons per year unit run by the Dow Chemical Company of Midland, Mich., which extracted the metal from salt water. Additional United States consumption of this metal, lighter than aluminum and valuable as an alloy to give aluminum extra hardness, had been met by imports from Europe. German metallurgists had really pioneered the development of the metal, but in 1935 a British operating company, British Elektron, Ltd., began extensive reduction of the ore in England, licensed to operate under patents controlled by I. G. Farbenindustrie. In the United States these patents are supposedly controlled—but not developed by Magnesium Development Co., a holding company jointly owned by the Aluminum Company of America and IGF.

Other industrialists in America also saw the possibilities of magnesium development. Among them were the Hanna interests of Cleveland, for years operators of coal and iron properties in the Great Lakes area. The Hanna interests sent engineers to England to study British Elektron operations, with an eye to developing the magnesite ore deposits in Nevada. The result was the formation of Basic Magnesium, Inc., 45 per cent owned by the British who were to furnish the "know-how" of operation, 55 per cent owned by Basic Refractories, a Hanna holding company which in turn owned as a subsidiary, Basic Ores, which acquired the Nevada magnesite deposits—if you can follow that corporate daisy chain.

Nice business
Original plans of Basic Magnesium called for a plant with a modern 5,000 tons a year capacity. Then came the war, and the demands for magnesium zoomed. After consulting the army and the defense plant corporation, the company multiplied these plans gradually by 11 plus, with the result that contracts were let for the \$63,000,000 plant with a capacity of 56,000 tons of ore a year, which was announced in mid-August, 1941. Basic Magnesium didn't have to put up a cent, beyond its nominal costs of promotion and proving the ore, estimated at from \$25,000 to \$50,000.

Under the contract, the government retains title to the plant, but Basic Magnesium was given a cost-plus fixed-fee contract for operation and construction. Basic Magnesium is to receive a \$300,000 fee plus cost for construction and engineering although, according to Senator Wallgren's sub-committee, the company had little or no construction experience and though more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services being performed by others. Further, if the defense plant corporation should cancel the contract, the government would have to pay Basic Magnesium \$1,000,000 and double the royalties on the ore from \$1 to \$2 a ton, although the Basic Refractories Company is now leasing quarries near Las Vegas on payment of 25 cents per ton royalty.

All this is what the full Truman committee will investigate when it opens hearings in Washington.

MAGNESIUM MAN

Genius of the Basic Magnesium, Inc., setup which the Truman committee will probe in Washington, and the man who will be in the spotlight, is Howard P. Eells Jr., of Cleveland. * * * He is connected with several of Cleveland's oldest and richest families. * * * Graduated from Williams in 1915. * * * Served in Ohio National Guard on Mexican border and in France with Rainbow Division. * * * Rose from second lieutenant to captain of field artillery. * * * Saw action at Alsne-Marne, St. Mihiel and Argonne. * * * Joined Basic Dolomite Company, of Tiffin, O., in 1919. * * * This firm became Basic Refractories, Inc., in 1941. * * * Eells is now president. * * * A brother, Samuel Eells, is vice president. * * * Dan P. Eells of Milwaukee is chairman of the board.

MAGNESIUM CONFLICT

(By United Press Leased Wire)
WASHINGTON, April 10.—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., today were involved in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between Defense Plant Corporation an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible," and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate Defense investigating committee, and will repeat them in the senate next week when he will give Jones "a free ride."

CITES PROFIT

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nevada, which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extraordinary salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

JONES REPLIES

Jones replied that the Nevada plant will cost \$10,000,000 and is being constructed by nine separate contractors will all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected."

JONES ARGUES WITH BUNKER

WASHINGTON, April 10—(MS). Senator Berkeley L. Bunker (D) Nev., today demanded an early and complete public investigation of a \$70,000,000 magnesium plant being constructed in Nevada with government funds.

Bunker made his demand after BPC Chairman Jess Jones bitterly assailed the senator for alleging that "frauds" are being perpetrated by the Defense Plant Corporation, an BPC agency, and the Basic Magnesium corporation, builders of the plant.

Stung by Bunker's continued charges against the Defense Plant Corporation, Jones criticized the senator for making "false and misleading statements. . . unworthy of a United States senator."

Refusing to back down, the Nevada senator retorted that Jones "evidently doesn't know what is going on in his own organization."

Milwaukee Journal
Milwaukee, Wis.

APR 10 1942

Sees Scandal in Magnesium

Senator Assails Defense Plant Financing; Jones Calls Charge False

WASHINGTON, D. C.—(AP)—A charge that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker (Dem., Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."



Berkeley Bunker

Finance Corp., of which Jones is chairman.

Bunker declared that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

Howard Eells Named

If the agreement, he added, represented "a cross-section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

[Chairman of the board of Basic Refractories, Inc., is Daniel P. Eells, a Milwaukee industrialist and brother of Howard Eells.]

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$30,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

Assails Profit Angle

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories."

"In other words, the government paid the corporation for promoting its official's out of \$63,000,000."

"And finally, remember this: The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Misleading, Jones Says

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production, management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are

S. F. CALIF. REPORTS WORLD
Ch. 14, 300.
APRIL 10, 1942

DEFENSE Magnesium Swindle Charged

WASHINGTON, April 9.—A sweeping investigation of the Defense Plant Corporation, "an agency so corrupt that it would make profiteering in the last war look like petit larceny," was demanded today by Senator Bunker (D., Nev.).

The Nevada solon, speaking in the Senate, lashed out at the Federal agency, a subsidiary of Jesse Jones' Reconstruction Finance Corporation, for its agreement with Basic Magnesium Inc., which is affiliated with British and Nazi trusts and has an unsecured government loan of \$70,000,000.

Bunker said that the American company may make a profit of 4,280 per cent on a \$50,000 investment and charged that the agreement with the DPC "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the president and the American people."

Last week the Truman Committee denounced the agreement as "one of the most flagrant of war profiteering attempts."

Basic Magnesium, Inc. built a magnesite refinery in Las Vegas, Nev. with 45 per cent of the stock owned by Magnesium Elektron Ltd. of England, which through an agreement with I. G. Farbenindustrie of Germany obtained the right to use a process to produce magnesium.

participating in the construction, Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how,' will aggregate less than 2% of the total cost of the plant."

"The operating or management fee of the plant is to be 1/4c a pound of magnesium produced, which is approximately 2% of the estimated cost. The royalty for the ores will not exceed 1/4c a pound of magnesium metal produced."

Mentions Foreign Interests

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said that 45% of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55% of stock, he said, was held by Basic Refractories.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280% profit on an "admitted" investment of less than \$50,000.

Senator Thomas (Rep., Idaho) congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

S. ST. PAUL (MINN.) REPORT
FRIDAY, APRIL 10, 1942

Fraud Charge In Magnesium Project Made

Nevada Senator and U. S. Loan Administrator in Hot Dispute

(By United Press)

Washington, April 10.—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the defense plant corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate defense investigating committee, and will repeat them in the senate next week when he will give Jones "a free ride."

Makes Charges

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that

some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

SANTA CRUZ CALIF. REPORTS
SANTA CRUZ SENTINEL NEWS
APRIL 10, 1942

Magnesium Graft Charge By Solon Resented By Jones

Washington, April 10.—A charge that the defense plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Burke (D., Nev.) and promptly denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The defense plant corporation is a subsidiary of the reconstruction finance corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared the defense plant corporation had agreed to lease a \$63,000,000 magnesium refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate some officials in our government are guilty of malfeasance."

German Stock In Magnesium Firm Seized

Alien Property Custodian Cancels Nazi Share in Aluminum Subsidiary

Luscombe Aircraft Plant Taken Over

Friendly Alien Company Is Reorganized, Navy in Charge of Production

By Nicholas P. Gregory
WASHINGTON, April 9.—Leo T. Crowley, Alien Property Custodian, took over today the foreign stock of the Magnesium Development Corporation, of New York, organized jointly by the Aluminum Company of America and the I. G. Farbenindustrie, German dye trust, and of the Luscombe Airplane Corporation, producer of Navy training planes.

The controlling interest in the Luscombe corporation was vested in the name of Leopold H. P. Klotz, of New York, and the North American Investing Company, Inc. According to a spokesman for Mr. Crowley, the North American Investing Company's stock interest in Luscombe was held by Ernst Oberhiller, a naturalized American citizen of German birth.

The Navy Department has already taken charge of the Luscombe plant in West Trenton, N. J., and it will be reorganized so that its entire production can be devoted to naval air needs. In addition to turning over Navy trainer planes, Luscombe also manufactures airplane engines and aircraft parts.

Corporation Reorganized
The Treasury Department has described Mr. Klotz as a "friendly alien," born in the principality of Lichtenstein, who applied for citizenship before the United States entered the war, but to facilitate handling of government orders, Mr. Crowley announced in Trenton a reorganization of the corporate set-up, with Matthew J. Hickey Jr., of Chicago, as chairman of the board of directors; Lee N. Brutus, of Troy, Ohio, of the Wilco Aircraft Corporation, as president and general manager of the company's plant and its ground schools at Dallas, Tex., and West Trenton, and J. H. Torrens, Luscombe president, as a vice-president. The former Luscombe officers and employees were asserted to be co-operating.

Today's action on the magnesium corporation, which owns vital patents, it was learned, preceded by a week the filing in New York of a consent decree against the Aluminum Company of America to end another patent-pooling agreement between an American corporation and I. G. Farbenindustrie, this one affecting the production of magnesium.

Mr. Crowley's plant seizures, moreover, were preceded on the floor of the Senate with an attack by Senator Berkeley L. Bunker, Democrat, of Nevada, on an agreement between the Reconstruction Finance Corporation's subsidiary Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, which has a large contract to build a magnesium plant at Las Vegas, Nev. Senator Bunker charged "sinister fraud," and demanded an investigation. The contract has been denounced by the Senate committee investigating the war program on the ground that Basic Magnesium will reap huge royalties from the government.

Jones Answers Bunker

Senator Bunker's charges immediately drew a sharp retort from Jesse H. Jones, Secretary of Commerce and Federal Loan Administrator, who described the Senator's statements as "unworthy of a United States Senator," and said they "cannot go unchallenged." Mr. Jones vigorously denied that any irregularities existed in the arrangement.

The Magnesium Development Corporation was organized in 1932 jointly by the Aluminum Company of America and I. G. Farbenindustrie. Mr. Crowley will order cancellation of outstanding stock held by I. G. and will issue new shares which will be turned over to his office. Statistical manuals do not show the number of shares outstanding or the proportion of I. G. interest. However, it is believed that

Alcoa and I. G. had an equal interest. Some months ago Magnesium Development was attacked by Thurman Arnold, Attorney General in charge of anti-trust proceedings, as a patent monopoly. As a result of the suit brought by Mr. Arnold Magnesium Development relinquished its monopoly interest in the patents involving the manufacture of magnesium in the United States. The Dow Chemical Company, as a result of Mr. Arnold's suit, set up a large plant on the Eastern seaboard to manufacture magnesium, needed in airplane production.

Mr. Crowley's order taking over Magnesium Development stock held by I. G. was the second alien property order issued by his office, and the action in the uscombe case was the third.

Consent Decree Filed

The first such action came two weeks ago, when the government, through a consent decree filed in New York, assured that the rubber and gasoline patents held by the Standard Oil Company of New Jersey in collaboration with the German dye trust would be made available for manufacture of these products by any competent producer in the United States without the usual patent fees. Earlier, Henry Morgenthau Jr., Secretary of the Treasury, had obtained 97 per cent of the common stock of General Aniline and Film Company, under an executive order issued by President Roosevelt creating a vested property committee with Mr. Morgenthau as chairman.

As a result of these actions, the Federal government now controls not only General Aniline and Film and its subsidiaries manufacturing important chemicals and photographic papers but also Magnesium Development and Luscombe Aircraft, and it has a controlling interest in Axis-owned banks, travel agencies and complete supervision

over \$7,900,000,000 of securities, cash, gold and other property.

Senator Bunker, in his renewal of discussion of the magnesium situation, told the Senate:

"A pall of sadness will fall over the American people when they realize that Bataan has fallen and two British warships have been sunk. Those individuals who have taken unexcusable profits out of the war effort and who have slowed up war production are worthy of contempt."

Senator Bunker charged that Basic Magnesium, Inc., has invested only \$50,000 in the Nevada development and will reap unbelievable profits, salary, bonus and expense payments from the government's Defense Plant Corporation. "The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people."

Senator John Thomas, Republican, of Idaho, congratulated Senator Bunker, saying: "Those fellows shouldn't be investigated, they should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense set-up."

Mr. Jones, in his reply, said:

"The magnesium plant that is being built by the government near Las Vegas, Nevada, will cost approximately \$70,000,000, and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium.

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant.

"The operating or management fee of the plant is to be 1/2 cent a pound of magnesium produced, which is approximately 3 per cent of the estimated cost.

"The royalty for the ores will not exceed 1/2 cent a pound of magnesium metal produced.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

SANTA BARBARA, CALIF.
NEWS-PRESS, 7-a, Ed. Cir. 10,000
APRIL 19, 1942

Solon Demands Plant Inquiry

WASHINGTON, April 10. (INS)—Senator Bunker (D-Nev.) Friday demanded an early and complete public investigation of a \$70,000,000 magnesium plant being constructed in Nevada with government funds.

Bunker made his demand after RFC Chairman Jones bitterly assailed the senator for alleging that "frauds" are being perpetrated by the Defense Plant Corporation, an RFC agency, and the Basic Magnesium corporation, builders of the plant.

Stung by Bunker's continued charges against the Defense Plant Corporation, Jones criticized the senator for making "false and misleading statements . . . unworthy of a United States senator."

Refusing to back down, the Nevada senator retorted that Jones "evidently doesn't know what is going on in his own organization."

Urging the Truman defense investigating committee to speed public hearings on the matter, Bunker said he would further answer Jones on the senate floor Monday.

The Nevada charged that the contract with Basic Magnesium, an American-English firm which plans to extract magnesium from public land, is one of "the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee."

The firm, he said, stands to make a profit of 4,280 per cent, by putting up only \$50,000 of the cost of the \$70,000,000 project.

Defense Plants Unit Accused of 'Sinister' War Profits Pact; Jones Brands Charges 'Untrue'

By Robert De Vore
Post Staff Writer

The Defense Plant Corp., subsidiary of the Reconstruction Finance Corp., was accused on the Senate floor yesterday of entering into an agreement for production of war-vital magnesium that is "so sinister as to indicate that some officials of our Government are guilty of malfeasance."

Senator Bunker (Democrat), of Nevada, who leveled the charge against an organization whose top official is Secretary of Commerce Jesse Jones, declared:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and of the American people."

If the agreement between the Government corporation and Basic Magnesium, a Cleveland, Ohio, corporation, is typical of the conduct of DPC, Bunker asserted, "we are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Jones Strikes Back

Secretary Jones, in a formal statement, declared that Bunker's charges, "accusing RFC officials of wrongdoing, are unworthy of a United States Senator and cannot go unchallenged." Bunker, Jones stated, "must know these statements are untrue."

Jones said that the plant will cost the Government "approximately" 70 million dollars and that fees to be paid nine construction contractors, together with the fee to Basic Magnesium, "will aggregate less than 2 per cent" of this figure.

"The fee to BMI for operating or managing the plant—to have an estimated annual capacity of 112 million pounds—is to be a half cent for every pound produced, Jones said. (On the basis of maximum production Bunker showed the annual fee to be \$560,000.)

Royalty fees to B. M. I. for magnesium ores will not be more than one-quarter of a cent for every pound of metal produced, Jones said. (On the basis of maximum production, Bunker showed this fee to be \$280,000 annually.)

The Secretary asserted that no irregularities in construction of the plant have been discovered that would warrant "irresponsible" statements by Bunker. He added that DPC contracted with B. M. I. for construction of the plant at the request of the Office of Production Management and the War Department.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones declared.

To the charge, made last week by the investigating committee headed by Senator Truman (Democrat), of Missouri, that Basic Magnesium, with an investment of less than \$50,000 stands to make about \$800,000 a year on a 30-year contract, Bunker added these accusations:

1. That the \$300,000 which Basic Magnesium, with "little or no construction experience," is to receive for supervising construction of the plant is, in fact, a "gift," when it is considered that all the bills amounting to nearly a million dollars, are to be paid by the Federal

Government through DPC.

2. That, with three exceptions, the Government, rather than Basic Magnesium, has agreed to pay salaries of persons engaged in construction, operation and management of the plant.

3. That the Government paid Basic Refractories, Inc., parent company of B. M. I. \$211,000 for "promoting its (the Government's) officials out of the 66 million dollars DPC put up for financing the plant under a cost-plus fixed-fee contract."

4. That after buying in British Columbia, the "complete stock" of a "particular kind" of peat moss used in making magnesium, DPC agreed to pay \$84,000-a-year bonus to a group of Canadian and American distributors for release of all their available stock to BMI, thus "paying the distributors for peat moss which they no longer have to distribute."

5. That DPC agreed to pay \$28,000 for the use of plans for 500 demountable houses at the Las Vegas plant after the plans had already been utilized on another Government project, thus buying the same plans twice.

6. That DPC is paying traveling expenses and salaries of 45 BMI officials now in England studying magnesium manufacturing, while at the same time paying salaries of British technicians who are in this country presumably for the purpose of advising on production of the metal.

7. That when the Truman committee investigator visited the BMI plant he discovered that officials and employees had been ordered, in writing, not to give him any information and that two company policemen followed him about to see that the orders were not disobeyed.

International Ramifications

Bunker's speech, coupled with a House speech by Representative Anderson (Democrat), of New Mexico, yesterday gave Congress additional details on Basic Magnesium's connection with the great German dye trust, I. G. Farbenindustrie, a connection that, it now appears, is merely a small part of a larger story of international cartel arrangements which resulted in restricted production of vital materials.

Commenting on an article published in Wednesday's Washington Post disclosing that a consent decree, to be handed down in a few days, will free magnesium patents in a manner similar to the freeing of synthetic rubber patents in a consent decree two weeks ago against the Standard Oil Co., Anderson told the House that the second decree will involve not only the Aluminum Co. of America, but the Dow Chemical Co., the American Magnesium Corporation and the Magnesium Development Corporation.

BMI, said Anderson, is controlled by a British firm, Magnesium Elektron, Ltd. Until it was seized by the British alien property custodian, Anderson stated, one-half the stock of the British firm was owned by I. G. Farben.

Bunker stated that the British firm owned 45 per cent of BMI's stock which it obtained in exchange for knowledge of a magnesium refining process. The deal was made, said Bunker, despite the fact that the British firm does not have an I. G. Farbenindustrie license to use this process in the United States.

"Patents for American magnesium production," said Anderson, are held by Magnesium Development Corp., by Magnesium Development Corporation, which was owned one-half by the Aluminum Co. and one-half by I. G. Farbenindustrie.

Only last week, Anderson disclosed, the Government exercised its policy of taking over enemy assets in this country to seize I. G. Farben's interest in M. D. C. The stock has just been delivered to Leo T. Crowley, alien property custodian, thus giving the Government 50 per cent control of M. D. C. in voting "to permit the magnesium producers in the United States to make use of these important patents," the legislator said.

American magnesium production, Anderson stated, has been restricted "by various deals which Dow (Chemical) had with the German companies." Anderson maintained that it is possible to produce magnesium in this country at about five cents a pound, whereas the price "has been running around 22 to 23 cents." Magnesium Development, he stated, only licenses Dow Chem-

ical to manufacture magnesium in this country.

"The people of this country cannot be expected to be complacent forever when they find that their great resources (magnesium) needed for incendiary bombs and dive bombers are in the hands of the enemy," Anderson declared.

Basic Magnesium, Bunker told the Senate, was born in 1941, "a child of the fertile promotional brain of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc." Refractories, he continued, obtained development right on 36 mining claims on "public domain" in Nevada. These claims were transferred to B. M. I. in exchange for 33 per cent of B. M. I.'s stock, he said, adding that the claims, admittedly representing an expenditure of less than \$50,000, are the "sole asset" of B. M. I.

SANTA BARBARA, CALIF., NEWS-PRESS, 7-a, Ed. Cir. 10,000
APRIL 19, 1942

RFC Subsidiary Corrupt, Charge

WASHINGTON, April 9. (AP)—Senator Bunker (D-Nev.) charged in a senate address Thursday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared Thursday that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland is president.

Bunker Links DPC in War Profits Grab Jones Denounces Magnesium Tie-Up Charges

By Associated Press
WASHINGTON, April 9—A charge that the Defense Plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker (D), Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant corporation is a subsidiary of the Reconstruction Finance corporation which, in turn, operates under the commerce department headed by Jones. Bunker declared that the Defense Plant corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross-section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells Jr., of Cleveland, president of Basic Refractories, Inc.

Traces Negotiations
Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant corporation is giving \$63,000,000 to build a refinery at Las Vegas."

Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant corporation to Basic Refractories.

"In other words the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit!"

Jones Makes Reply
When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished

a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany. The remaining 55 per cent of stock, he said, was held by Basic Refractories.

Last week Bunker read into the Senate Record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R), Idaho, congratulated Bunker on his speech and expressed hope that he would not drop the matter. "Those fellows who are looting the United States treasury, Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

Bares Sales Terms
Bunker said terms of the Defense Plant corporation-Basic Magnesium, Inc., agreement provided that Defense Plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$250,000 a year royalty on ore taken from the public domain claims, and an estimated \$580,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$580,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

Pays Architect Fee
"The Defense Plant corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice. "The Defense Plant corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

Hurls Charges in Senate



U. S. Senator Bunker, Nevada . . . Sees some officials guilty of malfeasance in connection with pact with magnesium firm to operate plant near Las Vegas.

HAWTHORNE, CALIF., LENNOR
ADVERTISER, CH. 300
APRIL 10, 1942

FOLLOWING the recent disclosure of fabulous profits made during the past year by a Cleveland manufacturer of aircraft motor starters, Senator Bunker of Nevada disclosed some phases of a senate committee report that revealed the story of a Nevada "racketeering industrial corporation which stands to make a profit of 4280 per cent" in one year from its operation of a government-built magnesium plant at Las Vegas. The net income of the \$50,000 concern for a year is estimated to be \$2,140,000.

As a minor incident there was also the now familiar story of the company endeavoring to get rid of some of its profits by paying fabulous salaries to a dozen or more officials and employes.

The Nevada senator says he fears the reaction "from the men who are training, fighting and dying for their country at \$21 per month."

The nation recognizes there was bound to be some waste, extravagance, and even corruption attendant upon the hurried preparations for all-out war, but those who are sacrificing all for the American way of life will not consent for long without protest to theft and dissipation of the nation's assets so badly needed to turn the tide of battle against the enemy.

WALL STREET JOURNAL
New York City

APR 10 1942

War profiteering charges against Basic Magnesium, Inc. precipitated a clash between Secretary of Commerce Jones and Senator Bunker. Mr. Jones termed "false and misleading" the Senator's statement that Defense Plant Corp.'s pact with the firm is "so sinister" as to indicate "malfeasance" on the part of R.F.C. officials.

NEW YORK, N. Y., TIMES
APRIL 10, 1942

SENATOR AND JONES CLASH OVER ATTACK ON WAR PLANT DEAL

Bunker Charges DPC Condone 'Unconscionable Profits' for Nevada Magnesium Plant

UNTRUE, SAYS SECRETARY

Fees Paid to 9 Contractors, He Adds, Will Be Less Than 2% of Cost of 70 Millions

Special to THE NEW YORK TIMES.

WASHINGTON, April 9—Senator Bunker, Democrat, of Nevada, today attacked the Defense Plant Corporation, an RFC subsidiary, charging that the terms of its contract with Basic Magnesium, Inc., for a plant at Las Vegas, Nev., meant "unconscionable profits," Secretary Jones, as head of the RFC, immediately replied that the charges were misleading and untrue, and, in effect, challenged Senator Bunker to press them without benefit of Senatorial immunity.

The Secretary of Commerce replied to Senator Bunker in a statement.

"Senator Bunker's statements accusing RFC officials of wrongdoing," he said, "are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue."

"The magnesium plant that is being built by the government near Las Vegas, Nev., will cost approximately \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

Says Fees Total Less Than 2%

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost."

"The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the War Department, and the government's interest is fully protected."

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

"Sinister," Bunker Contends

In his speech in the Senate the Nevada Senator said:

"Those individuals who have participated in unconscionable profits in America and who have slowed down our war production are worthy of the disgust and contempt of every American."

He contended that the data he presented were sufficient "to warrant the conclusion that the Defense Plant Corporation has entered into an agreement that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corpora-

tion, I can come to only one conclusion," he said, "we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people. Money will not win this war, and unconscionable profits will only prolong the war. The saddest betrayal in the history of man was negotiated for thirty pieces of silver."

Thomas of Idaho Joins Attack
Senator John Thomas, Republican, of Idaho, took the floor and said:

"Those fellows shouldn't be investigated. They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense set-up."

"We must prosecute the fellows who are looting the Treasury."

An attack on the agreements was made in the House by Representative Anderson of New Mexico. The Senate was nominally in recess. Senator Bunker contended that Basic Magnesium, Inc., had had little construction experience.

He said it was to receive \$300,000 for supervising the construction of the plant, which, he argued, was a "gift," as the DPC would be paying "all the bills, including the salaries, wages and materials, as well as construction, engineers' and contractors' fees and profits in the amount of nearly a million dollars."

He contended that the DPC had agreed "to pay the corporation for promoting its officials out of \$63,000,000, and to pay a group of Canadian distributors an \$84,000 a year bonus for the release of all their available stock of peat moss, necessary in processing, to Basic Magnesium, Inc."

"The Defense Plant Corporation," he went on, "is now paying traveling expenses and salaries of forty-five officials of Basic Magnesium, Inc., now in England studying the process."

The DPC also is paying the salaries of English technicians who, he said, are in America "promoting" the interests of Magnesium Elektron, Ltd., which controlled the "English process" under a licensing agreement obtained from I. G. Farben-Industries of Germany.

Senator Bunker argued that there was no obligation on the part of the company to repay any of the money laid out by DPC, as no collateral stood behind the money advanced. He contended that the DPC had no direct supervision over either the quality of plant construction or efficient operation.

Last month Senator Bunker asked a Senate subcommittee which is investigating the defense program to survey the magnesium project on the ground. The subcommittee in a report to the Senate last week asserted that the proposed lease appeared to be "one of the most flagrant attempts at war profiteering to come to our notice."

BUNKER, JESSE JONES IN BATTLE

Nevada Solon Charges DPC With 'Malfeasance'; Jones Declares Statements 'False, Misleading'

WASHINGTON, Apr. 9 (UP)—Controversy raged today over charges made in the senate by Senator Berkeley Bunker, democrat, of Nevada. Bunker charged that officials in the defense plants corporation are "guilty of malfeasance," while Jesse Jones, secretary of commerce and official at the head of the DPC, declared Bunker's statements were untrue and "contain false and misleading information."

Bunker denounced an agreement between the Defense Plants Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

Huge Profit

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nevada, it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker said that "if the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded Senator John Thomas, democrat, Idaho, congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. These are the things that are undermining the confidence

of the country in the whole defense setup.

"We must prosecute the fellows who are looting the treasury."

Reviews Expenses

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers money" in connection with the agreement. He listed:

1. A "gift" of \$300,000 from the Defense Plant Corporation to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2. Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells, Jr., Cleveland, president of Basic Refractories.

3. Payment of \$28,000 by the Defense Plant Corporation to a firm of architects, for using plans for 800 demountable houses—plans which had previously been used on another government project.

4. Payment of \$64,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesium, "which they no longer have to distribute."

5. He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

"Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the war department, said the government's interest is fully protected."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

APR. 9, 1942
BOONVILLE, MO. NEWS

SEN. BUNKER OF NEVADA SAYS AGENCY IS CORRUPT

WASHINGTON, (AP)—Sen. Bunker, Democrat of Nevada, charged in a senate address today that the agreement between the Defense plant corporation and the Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63 million magnesite refinery at Las Vegas, Nevada, "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of reconstruction finance and added "if the agreement between the Defense Plant Corporation and the Basic Magnesium, Inc. represents a cross section of the conduct on the part of the defense plant corporation I can come to only one conclusion—we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the Senate that Basic Magnesium, Inc. stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Senator Denounces Pact With Plant

WASHINGTON (AP)—Sen. Berkeley L. Bunker, D., Nev., charged in the senate Thursday that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the defense plants corporation, a subsidiary of the reconstruction finance corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

In a formal statement, Jones said:

"Senator Bunker's statements made in a speech on the floor of the senate today, accusing RFC officials of wrong-doing, are unworthy of a United States senator and cannot go unchallenged. The senator must know these statements are untrue."

"The magnesite plant that is being built by the government near Las Vegas, Nevada, will cost approximately \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

"Nine separate contractors are participating in the construction. The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision, and 'know-how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesite produced, which is approximately two per cent of the estimated cost."

"The royalty for the ores will not exceed one-quarter cent per pound of magnesite metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the war department, said the government's interest is fully protected."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$500,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$500,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

Huge Fraud Alleged In War Contract

Sen. Bunker Demands Investigation Of RFC Subsidiary.

Washington (AP)—Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the president and the American people."

"Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000."

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc. into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

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Government Foots Bills.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

He said the Defense Plant Corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors a \$94,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,900 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

APR. 9, 1942
PHOENIX NEWS-REPUBLICAN

Senator Bunker Assails Magnesite Refinery Plans

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"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

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Accuses Government of 'Malfeasance' In Magnesium Plant Construction

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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000 represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

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APR. 9, 1942
ALBUQUERQUE, N.M. COURIER

Senator hints malfeasance in metal contract

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He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, Inc., 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnishes knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

APR. 9, 1942
PONCA CITY, OK. NEWS

Defense Plant Setup Investigation Asked

WASHINGTON, April 9.—(AP)—Senator Bunker (D., Nev.) charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Solon Bares Deal For \$63,000,000 Refinery At Las Vegas

"We Are Tolerating Existence of An Agency Of the Government That Makes Last War's Profiteering Look Like Petit Larceny," He Says

(By Associated Press)

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Small Original Expenditure
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"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

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Senator Charges War Agency Corrupt

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RFC SUBSIDIARY DENOUNCED FOR MAGNESITE DEAL

Defense Plant Corporation Accused on Floor by Senator Bunker.

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Sees Betrayal of President.
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MALFEASANCE IS HINTED IN BASIC MAGNESIUM DEAL

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Demands Probe of Agreements Made Defense Building

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Agreement Described.

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PROFITEERING IN MAGNESIUM PLANT CHARGED BY SOLON

Malfeasance Indicated in Las Vegas, Nev., Deal, Young Senator Says

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RENO, NEV., GAZETTE
P. 12, 21
APRIL 9, 1942

Bunker Makes New Charges Against Basic Magnesium in Senate

Senator Says U. S. Board May Be Involved

Defense Plant Inquiry Asked By Nevadan

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"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claim to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the defense plant corporation to Basic Refractories."

He said the defense plant corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The defense plant corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for eight hundred demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The defense plant corporation is now paying traveling expenses and salaries of forty-five officials of Basic Magnesium, now in England studying the process. At the same time, defense plant corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed forty officials of Basic Magnesium, Inc., whose salaries ranged from \$3000 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

Profiteering Charge Hurlled By Senator

Washington (AP)—Sen. Bunker (D-Nev) charged in a senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the president and the American people."

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Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany. Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, jr., of Cleveland, O., is president.

Mining Claims Transferred

Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nevada, to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., nor the English company, Magnesium Elektron, Ltd., had sufficient assets or was sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Nevada Senator Hurls New Attack As Praise Given Valiant Troops

Defense Plant Corporation,
Basic Magnesium Draw
Solon's Ire.

BATAAN FALL CITED

War Profiteers Hit As
"Worthy of Contempt" of
American People.

WASHINGTON, April 9 (AP)—Secretary of Commerce Jesse Jones late today angrily termed "untrue and irresponsible" the charges of Senator Berkeley Bunker against the defense plant corporation.

"His statements are unworthy of a United States senator and can not go unchallenged," Jones stated. "Nine contractors are participating in the Las Vegas construction and their fees total less than two per cent of the total plant cost. There are no irregularities."

The commerce secretary declared that "Senator Bunker's speech contains false, misleading statements which it takes no courage to make under his cloak of immunity."

WASHINGTON, April 9 (AP)—Senator Berkeley Bunker, Nevada's junior son, today announced the fall of Bataan on the floor of the senate and at the same time attacked as "worthy of contempt" those individuals who take "unconscionable profits, thus slowing up war production."

The Nevada senator obtained the floor immediately after the senate was called to order and declared that "a pall of sadness falls over the American people as they realize that Bataan has fallen and that two British warships have been sunk."

Bunker charged that the government agreement with Basic Magnesium, Inc., is "so sinister" that it indicates that some federal officials are "guilty of malfeasance."

He pointed out that loss of Bataan emphasizes "that the battle of the Pacific is not won and to date the people of America are losing the battle of Washington."

Bunker again scored officials of "a racketeering industrial corporation which stands to make a profit of 4200 per cent or \$2,140,000 in one year on an admitted investment of not more than \$50,000."

Other congressional leaders followed Bunker to the floor to pay tribute to the heroes of Bataan.

Senator Tom Connally, D., Tex., as chairman of the senate foreign relations committee, pointed out that the forces of Bataan had been at a disadvantage because of "Japan's inexhaustible manpower for reinforcements."

In the house, Chairman Andrew

Senator Brands Magnesium Pact 'Sinister Fraud'

Malfeasance Indicated
In Defense Plant Corp.,
Bunker Tells Senate

By the Associated Press.
Senator Bunker, Democrat, of Nevada, charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

4,280 Per Cent Profit in Year Seen.

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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Senator Bunker said.

"Neither company, Basic Magnesium, Inc., nor the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Senator Bunker said terms of the Defense Plant Corp.—Basic Magnesium, Inc. agreement provided that Defense Plant Corp. would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

Royalty Boosted Also.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for ten years the Government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Senator Bunker asserted.

He said the Defense Plant Corp. agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Senator Bunker.

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"Thus the Government bought the same plans twice."

"The Defense Plant Corp. is now paying traveling expenses and salaries of 45 officials of basic magnesium, now in England studying the process. At the same time, Defense Plant Corp. is paying the salaries of English technicians who are in America promoting interests of their company."

Magnesium deal defrauds nation, senator charges

Washington, April 9 (AP)—Sen. Bunker (Dem., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement represents a cross-section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

HUGE-POSSIBLE PROFIT
Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the Senate committee investigating war projects reported that hearings it conducted at Las Vegas indicated that Basic Magnesium, Inc., was guilty "of flagrant attempts at war profiteering."

Bunker declared today that the ramifications were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England, which furnished a refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent was owned by Basic Refractories, Inc., of which Howard P. Eells Jr. of Cleveland is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc.

'SOLE ASSETS \$50,000'
"These claims, on which Basic Refractories expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery," Bunker said.

"Neither company had sufficient assets to warrant such an extension of credit."

Bunker said terms of the Defense Plant Corp., Basic Magnesium, Inc. agreement provided that Defense Plant Corp. would pay the company \$1,000,000 in case the plant was sold to a company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

U. S. PAYS THE BILLS
In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore.

He said the Defense Plant Corp. agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

'Sinister' Contract Charged

WASHINGTON. — (U.P.) — Sen. Berkeley L. Bunker, D., Nev., charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the defense plants corporation, a subsidiary of the reconstruction finance corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 percent in one year.

Bunker also charged that "extortionate salaries" were being paid to 42 officials of Basic Magnesium.

"The fraud that is being perpetrated by the defense plant corporation and Basic Magnesium, Inc., is a betrayal of the president and the American people," he said.

'SERIOUS QUESTION'
Bunker said that in organization of Basic Magnesium, 45 percent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

Bunker said that "if the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

'LOOTING TREASURY'
When Bunker concluded Sen. John Thomas, D., Ida., congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Bunker Announces Fall of Bataan At Senate Session this Morning

Nevada Senator Attacks Individuals For Profiteering, Assails Agreement With Basic Magnesium; Is Congratulated

WASHINGTON, April 9 (AP)—The announcement of the fall of Bataan was made in the U. S. senate by Senator Berkeley L. Bunker of Nevada, who obtained the floor as soon as the body was called to order.

In connection with the announcement Senator Bunker attacked as "worthy of contempt," individuals who are "taking unconscionable profits and who are slowing down war production."

"A pall of sadness falls over the American people when they realize Bataan has fallen and that two British warships have been sunk," said Bunker.

Bunker charged in the senate that the government's agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are guilty of "malfeasance."

Chairman Connally of the senate foreign relations committee pointed out that the forces on Bataan have been at a great disadvantage on account of "Japan's inexhaustible manpower of reinforcements."

Chairman May of the house committee on military affairs said

"It is tough to lose the Philippines, but we'll be back."

Bunker in denouncing the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., declared the fraud being perpetrated is a betrayal of the president and the American people.

"If the agreement between these two represents a cross-section of the Defense Plant Corporation's conduct, we are tolerating a government agency so corrupt as to make the last war's profiteering look like petty larceny."

Senator Thomas of Idaho congratulated Bunker, declaring: "Those fellows should not only be prosecuted. They should be jailed. We must prosecute fellows looting the treasury."

Senator Bunker charged that Defense Plant Corporation actions "gave" Basic \$300,000 to supervise construction of the project, and paid Basic Refractories (parent company of Basic) \$211,000, no doubt including expenses of President Eells on trips and at hotels.

Malfeasance Charge Hurlled By Senator In Attack On Magnesium Plant Agreement

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He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

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BETRAYAL OF PEOPLE
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INTERNATIONAL INTRIGUE
Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

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Magnesium-Plant Deal Looks Sinister, Charges Senator

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English Firm Big Owner
Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

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Million Payment Agreed On
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Salaries Held 'Extortionate'
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Senator Demands Probe Of Defense Plant Corp.

Basic Magnesium Pact 'Sinister,' Declares Bunker

By the Associated Press.

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Sees Huge Profit.

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Transferred Rights.

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Agreed to Pay.

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ALHAMBRA, CAL., POST-ADVOCATE
CH. 5774 APRIL 9, 1942

Senator Hurls Fraud Charge In Magnesite Profiteering

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Hurls Fraud Charge

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CARLEBAD, N. M. CURRENT-ARGUS
CH. 2279, Sunday 5:27
APRIL 9, 1942

And While Bataan Was Falling . . .

Federal Agency, Firm Charged With Flagrant War Profiteering Steal

Sen. Bunker Accuses Defense Plant Corporation With Magnesium Deal Involving English, Nazi Interests

Claims Contract Makes Profiteering Of First War Look Like 'Petit Larceny'—Says Firm Would Have Made 4,280 Per Cent Profit

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Bunker said the other 55 per cent of the stock was owned by

Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which basic refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which defense plant corporation is giving

\$63,000,000 to build a refinery at Las Vegas," Bunker said.

Not Enough Assets

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for

management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

He said the defense plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

BURBANK, CAL. REVIEW
CH. 2400
APRIL 9, 1942

Profiteering Laid To Magnesium Co.

WASHINGTON (AP)—Sen. Berkeley L. Bunker, D., Nev., charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the defense plants corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

4280 PER CENT

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4280 per cent in one year.

Bunker also charged that "extortionate salaries" were being paid to 42 officials of Basic Magnesium.

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people," he said.

ENGLISH COMPANY

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

RICHMOND, CAL. POST-ADVOCATE
CH. 5774 APRIL 9, 1942

Senator Charges Magnesium Co. Pact 'Sinister'

WASHINGTON, April 9. (AP)—Sen. Berkeley L. Bunker (D.), Nevada, charged in the senate today that a government agreement with Basic Magnesium, Inc., "is so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nevada, it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

PITTSBURGH, PA. PRESS
CH. 223,951, Sun. 149,261
APRIL 9, 1942

Magnesium Plant 'Deal' Challenged

By The United Press

WASHINGTON, April 9.—Senator Berkeley L. Bunker (D., Nev.) charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Mr. Bunker denounced an agreement between the Defense Plants Corp., a subsidiary of the Reconstruction Finance Corp., and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63-million-dollar magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4280 per cent in one year.

Mr. Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust. The senator said that American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Co. of America and one-half of which directly or indirectly belongs to the German interests.

Magnesium Seal 'Sinister,' Says Nevada Senator

WASHINGTON (UP)—Sen. Berkeley L. Bunker, D. Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

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Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process

in the United States," said Bunker. "The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker said that "if the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that would make profiteering in the last war look like petty larceny by comparison."

NAPA, CAL. REGISTER
CIV. 3,577
APRIL 9, 1942

Solon Denounces Metal Agreement

WASHINGTON, Apr. 9.—(UP)—Sen. Berkeley L. Bunker, D. Nev., charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters in Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

MERCED, CAL. SUN-STAR
CIV. 2,009
APRIL 9, 1942

Charges 'Sinister' Contract With Basic Magnesium Hints Official Malfeasance

WASHINGTON, (UP)—Sen. Berkeley L. Bunker, D. Nev., charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

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He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

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this process in the United States," said Bunker.

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Bunker said that "if the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded Sen. John Thomas, D. Ida., congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Profiteering in Magnesium Deal Claimed

Senator of Nevada
Claims Profits
Are 4280 Per Cent

WASHINGTON, April 9.—(AP)—Senator Berkeley L. Bunker (Democrat, Nevada), charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, to construct a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Called "Betrayal"

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Bunker, youngest member of the Senate, declared today that the ramifications of the transaction are so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Stock Ownership

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, is owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr. of Cleveland, Ohio, is president.

He said the Defense Plant Corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 semi-detached houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

Probe of Nevada Defense Plant Deal Demanded

Senator Sees Hints
of 'Malfeasance
By Officials'

WASHINGTON, April 9. (AP)—Senator Berkeley L. Bunker (D. Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Foreign Interest Told

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Magnesium Deal Charged

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He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, it stands to make a profit of 4,280 per cent in one year.

The agreement which Bunker denounced was between the Defense Plants Corporation, a subsidiary of the Reconstruction Finance Corporation and Basic Magnesium, a private concern with headquarters at Cleveland.

SALT LAKE CITY, UTAH NEWS
CIV. 34,923
APRIL 9, 1942

Malfeasance Charge Made

Senator Asks Probe
Of Magnesium Case

WASHINGTON, April 9.—(AP)—Senator Berkeley L. Bunker (D. Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc. represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

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Fraud on U. S. In Magnesium Charged

Washington, Apr. 9 (AP)—Sen. Bunker (D. Nev.) charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., an RFC subsidiary, and added:

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Charges Link to Farben
Bunker, youngest Senator, declared the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories Inc., of which Howard P. Eells Jr. of Cleveland, is president. Basic refractories obtained its interest by transferring its rights in 36 public domain mining claims to Basic Magnesium Inc. Eells also is president of the subsidiary, Basic Magnesium Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

SAN MATEO, CAL. TIMES & LEADER
CIV. 5,500
APRIL 9, 1942

Magnesium Deal 'Sinister'

WASHINGTON, April 9.—(U.P.)—Senator Berkeley L. Bunker, D. Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

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He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of basic magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

APR 9 - 1942

Senator Charges Defense Plant Agency 'Corrupt'

WASHINGTON, April 9.—(AP)—Senator Bunker, Democrat of Nevada, charged in a senate address today an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesium refinery in Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added: "If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Sees International Intrigue. Bunker, youngest member of the senate, declared the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

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Bunker said the other 55 per cent of the stock is owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in thirty-six public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery in Las Vegas," Bunker said.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided the Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims; and an estimated \$360,000 for management and operation of the plant annually.

Profiteering Charges Hit Two Plants

WASHINGTON, April 9.—(AP)—Senator Bunker, Democrat of Nevada, charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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POINTS FINGER—Senator Berkeley Bunker of Nevada again calls congress' attention to amazing situation in U. S. contract for magnesite plant in Nevada.

Senator Hints At Corruption In Magnesium Deal

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He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation, and added:

"If the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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DEFENSE PLANT FRAUD CHARGED

Government Agency 'Corrupt,' Solon Says; Full Investigation Demanded

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APR 9 - 1942

'UNBELIEVABLE EXPENDITURES'

Defense Plant Agency Accused as Corrupt

WASHINGTON, April 9.—Denouncing an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., Senator Berkeley L. Bunker today told the Senate that "if the agreement represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt it would make profiteering in the last war look like petty larceny by comparison."

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup. We must prosecute the fellows who are looting the Treasury."

Senator Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1.—A "gift" of \$300,000 from the Defense Plant Corp. to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Senator Bunker said.

2.—Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Senator Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells Jr., Cleveland, president of Basic Refractories.

3.—Payment of \$28,000 by the Defense Plant Corp. to a firm of architects for using plans for 800 de-mountable houses—plans which had previously been used on another Government project.

4.—Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesite, "which they no longer have to distribute."

5.—He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time DPC is paying salaries of English technicians who are in America promoting the interests of their company," he said.

Nevada Senator Asks Magnesium Plant Probe

Charges Las Vegas Firm, Linked to RFC, With Profiteering

WASHINGTON, April 9 (AP). Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium Inc. of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium Inc. was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium Inc. into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium Inc., he said, was owned by Magnesium Elektron Ltd. of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farben-Industrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories Inc. of which Howard P. Eells Jr. of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in thirty-six public domain mining claims in Nye County, Nev., to Basic Magnesium Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium Inc., Bunker said.

\$50,000 SOLE ASSETS

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Magnesium Profits Assailed By Bunker

WASHINGTON, April 9 (U.P.)—Sen. Berkeley L. Bunker, D., Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate, this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the American Chemical Society, and one-half of which directly or indirectly belongs to the German interests."

Bunker said that "if the agreement between the Defense Plant Corporation and Basic Magnesium Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded, Sen. John Thomas, D., Ida., congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayer's money" in connection with the agreement. He listed:

1.—A "gift" of \$200,000 from the Defense Plant Corporation to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2.—Payment of \$211,000 to Basic Refractories, Inc., the parent of basic magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells, Jr., Cleveland, president of Basic Refractories.

3.—Payment of \$28,000 by the Defense Plant Corporation to a firm of architects, for using plans for 800 demountable houses—plans which had previously been used on another government project.

4.—Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesium, "which they no longer have to distribute."

5.—He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians, who are in America promoting the interests of their company," he said.

Bunker Gives Verbal Lashing To Defense Plant Corporation

Says Profiteering of Last War Petit Larceny in Comparison

WASHINGTON, April 9 (U.P.)—Senator Berkeley Bunker today announced that a representative of the senate's small business committee will visit Nevada to ascertain ways in which to utilize facilities of small plants for war production.

In his statement Bunker warned that "many small businessmen in Nevada are headed for bankruptcy." He said they would be granted an opportunity to present their case before the committee representative.

Defense Plant Corp.

While he was on the floor Bunker charged that the government agreement with Basic Magnesium is "so sinister" as to indicate that some officials are guilty of malfeasance. He denounced the agreement between the Defense Plant Corporation and Basic Magnesium for the Las Vegas refinery. He said that in the organization of Basic Magnesium, 45 per cent of the stock went to Magnesium Elektron Ltd. of England, which furnished knowledge of the refining process. He said the British company operated under licensing agreement with I. G. Farbenindustrie, German chemical trust.

If this agreement "represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion—we are tolerating the existence of an agency of government which is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Taking the floor at the opening of the senate session, Bunker officially announced the fall of Britain and attacked as "worthy of contempt" individuals, who he said, had taken "unconscionable profits and slowed up war production."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared Thursday that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland is president.

Graft Charged

WASHINGTON, April 9.—(AP)—Senator Bunker (D. Nev.) charged in a senate address Thursday that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

those having paid will please look at the paper issues if credited.

4,280 Percent Profit After Government Aid

The Basic Magnesium, Inc., of Cleveland, Ohio, for which the Defense Plant Corporation is financing a \$63,000,000 magnesite refining plant at Las Vegas, Nev., "stands to make a profit of 4,280 per cent, or \$2,140,000 in one year on an admitted investment of not more than \$50,000."

The list of salaries he read included the names and positions of more than 40 officials, whose salaries ranged from \$36,000 a year to \$3,900.

Included were H. C. Mann, project manager, \$36,000; D. W. Stewart, assistant project manager, \$20,000; W. F. Way, project manager of construction, \$17,500; G. B. Kaufman, managing engineer, \$17,000; J. R. Charles, English consultant, \$15,000; W. W. Patnoe, chief engineer, \$13,000; S. J. Fletcher, English consultant, \$12,000; Harley C. Lee, technical advisor, \$12,000.

Bunker said that 14 officials "are receiving more pay than the base pay of General Douglas MacArthur, who has literally offered his life for his country."

APR 9 - 1942

Magnesium Contract Is Assailed By Sen. Bunker

Washington. — (AP) — Senator Bunker (D. Nev.) charged in a senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 Magnesite Refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded an investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance corporation, and added:

"If the agreement between the Defense Plant corporation and basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland is president.

OFFICIALS ACCUSED OF MALFEASANCE

Bunker Says Basic Magnesium Inc. Can Make Profit of 4,280 Per Cent in One Year Thru Deal With War Agency.

Washington, April 9.—(A. P.)—Senator Bunker (Dem.) of Nevada charged in a senate address Thursday that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a 63-million-dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance corporation, and added:

"If the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

PRESIDENT AND PEOPLE HAVE BEEN "BETRAYED."

"The fraud that is being perpetrated by the Defense Plant corporation is a betrayal of the president and the American people."

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COMPANY LINKED TO NAZI DYE TRUST.

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Two Rivers Reporter
Two Rivers, Wis.

APR 9 - 1942

DEMANDS PROBE OF RFC AGENCY

Bunker Lashes Agreement With Magnesite Firm

WASHINGTON. —(AP)—Senator Bunker (D. Nev.) charged in a senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded an investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant corporation and basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

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APR 9 - 1942

Demands Probe Of Defense Plant Corp.

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APR 9 - 1942

Nevada Senator Urges Magnesium Deal Probe

Washington, (AP) — Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded an investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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and certain expenses incurred prior to the culmination of the agreement.

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

PR. 9, 1042
HANNIBAL, MO. POST

Senator Attacks Agreement For Magnesite Plant

Charges Malfeasance In Deals Of Defense Plant Corporations

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Forty-five percent of the stock in Basic Magnesium, Inc., he said was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained the interest by agreeing to furnish a magnesium refining process obtained under an agreement with I. G. Farbenindustrie of Germany. Bunker said the other 55 percent of the stock was owned by Basic Refractories, Inc., of which Howard E. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation—Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some other company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$500,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees

APR 9 - 1942

Agreement on Magnesite Refinery Called 'Sinister'

Malfeasance Indicated, Senator Bunker of Nevada Declares

Washington, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

Demands Probe

He demanded an investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation,

I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

Charges 4,280 Per Cent Profit
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APR. 9, 1942
MINOT N D NEWS 417

\$50,000 Assets Bring \$63,000,000, Charges Nevada Senator; Defense Plant Corporation Called Corrupt

Washington, April 9.—(AP)—Senator Bunker, Democrat of Nevada, charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained the interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights to Basic Magnesium, Inc., in 39 public domain mining claims in Nevada, on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

APR 9 - 1942

Demands Defense Plant Corp. Magnesium Agreement Probe

Washington — (AP) — Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded an investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

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CALIFORNIA NEWS SERVICE
CIV. 872
APRIL 9, 1942

Bunker, Truman Report Hits Basic Magnesium

WASHINGTON, April 2.—Branding a lease agreement between the Defense Plants corporation and Basic Magnesium as "one of the most flagrant attempts at war profiteering to come to its attention," the Truman committee today presented its report on war production to the Senate.

The committee charged also that a lack of "over-all" planning by the armed services and the now defunct office of production management is responsible for the failure of west coast airplane plants to operate at full capacity.

WASHINGTON, April 3.—Senator Berkeley Bunker, Democrat, Nevada, charged in the Senate today that Basic Magnesium, Inc., of Cleveland, is a "racketeering industrial corporation which stands to make a profit of 4,280 per cent" for operation of a government-built magnesium plant at Las Vegas.

The corporation, which has an "admitted investment" of \$50,000, he said, will make a profit of \$2,140,000 in one year in performing certain services in construction of the plant and in operating it later.

Bunker released a list showing the salaries that some of the officials of the corporation receive for their work on the project. The project manager was listed as receiving \$36,000 a year.

Quotes From Record

Bunker quoted from a report issued yesterday by the Senate committee investigating the war program which characterized the Basic Magnesium lease as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

Commenting on the list of salaried officers, Bunker said it is "official" but does not take into account any pay rises which may have been effected recently.

"In view of the figures submitted it leaves little reason to wonder that labor is insisting on reasonable hours and good salaries in war industries," he said.

"I hesitate to make this very interesting and unusual list public for fear of the reaction it will have from the men who are training, fighting and dying for their country at \$21 per month; for fear also of the reaction of the men, women and children who are putting their dollars, dimes and pennies into war bonds and stamps," he said.

"But in keeping with my statement previously made on the floor, I believe the Senate and the public are entitled to know how the taxpayers' money is being spent by Washington departmental officials. It will be noted that 14 of these officials are receiving more pay than the base pay of General Douglas MacArthur, who has literally offered his life for his country."

A partial list of the officials and their salaries follows:
H. C. Mann, project manager, \$36,000; D. W. Stewart, assistant project manager, \$20,000; V. F. Way, project manager, construction, \$17,500; G. B. Kaufman, manager engineering, \$17,000; W. W. Pattee, chief engineer, \$13,800; Harley C. Lee, technical adviser, \$12,000; W. R. Batey, director electric design, \$10,400; W. B. Dyer, chief engineer, \$10,104; R. C. Kelley, director of purchases, \$10,000; C. A. Warner, controller, \$10,000.

Manitowoc Herald Times
Manitowoc, Wis.

APR 9 - 1942

Ask Probe Of Profits

Nevada Senator Hints At Corruption In U. S. Agency

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He demanded an investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Antigo Journal
Antigo, Wis.

APR 9 - 1942

CHARGES HUGE PROFIT SCHEME IN U. S. AGENCY

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Senator Charges Betrayal Of F. R. by War Agency

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TRACED TO GERMANY

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"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corporation, Basic Magnesium, Inc., agreement provided that Defense

Plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$3,000,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$590,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

AGREED TO PAY BILLS

He said the Defense Plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant corporation to Basic Refractories."

He said Defense Plant corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

War Plant Profit Of 4,280 Per Cent Charged in Senate

Nevada Democrat Demands Investigation Into 'Sinister' Circumstances of Magnesium Project.

Washington, April 9 (AP)—Senator Bunker (D., Nev.), charged in a senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance corporation, and added:

"If the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant corporation is a betrayal of the President and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a good chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nevada, to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which basic refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant corporation-Basic Magnesium, Inc., agreement provided that Defense Plant corporation is giving the company \$1,000,000 in case the plant was sold to some other company other than Basic Magnesium, Inc.; \$3,000,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

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"The Defense Plant corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The Defense Plant corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, Inc., now in England studying the process. At the same time, Defense Plant corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,000 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

Journal
Stevens Point, Wis.

APR 9 - 1942

Asks Probe of Defense Plant Corporation

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SENATOR SEES MALFEASANCE IN U. S. AGENCY

Bunker Attacks Magnesium Deal as Fraud

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charged in a senate address Thursday that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Calls Deal Fraud

"The fraud that is being perpetrated by the Defense Plant corporation is a betrayal of the President and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Bunker, youngest member of the senate, declared Thursday that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Foreign-Owned Stock

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

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Limited Investment

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"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

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Pays for Plans

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Appleton Post Crescent
Appleton, Wis.

APR 9 - 1942

Profiteering Laid to Firm

Nevada Senator Says Federal Agency Has 'Sinister' Agreement

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From
SUN
New York, N. Y.
APR 9 1942

RFC SUBSIDIARY DENOUNCED FOR MAGNESITE DEAL

Defense Plant Corporation Accused on Floor by Senator Bunker.

Washington, April 9 (A. P.).—Senator Bunker, Democrat, of Nevada, charged in a Senate address today that an agreement between the Defense Corporation and Basic Magnesium, Inc., of Cleveland, for the construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

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Sees Betrayal of President.

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Last week Mr. Bunker told the

WASHINGTON COLUMN

From Rags to Riches the Magnesium Way Is Called "Most Flagrant War Profiteering"

468 BY PETER EDSON
NEA Service Washington Correspondent

WASHINGTON.—"One of the most flagrant attempts at war profiteering to come to its notice" is to be given a Washington airing some time soon when Senator Harry S. Truman's special committee investigating national defense has a further look at the affairs of Basic Magnesium, Inc., Cleveland, O., operating company now building a \$63-million magnesite plant near Las Vegas, Nev., using the government's Defense Plant Corporation money. A sub-committee of senators under Mon C. Wallgren of Everett, Wash., had a preliminary look at Basic Magnesium's layout several weeks ago. What the senators found there was evidence that the company, on an original investment of \$50,000 to prove magnesite ore deposits claimed from the public domain, stands to make a possible \$280,000 per year royalties, plus a possible \$500,000 per year operating fee, for the next 30 years. Hence the committee's label of "flagrant war profiteering."



Edson

The story behind Basic Magnesium, Inc., is another of those romances of big business, rivaling in some respects the Truman committee's current disclosures on the I. G. Farbenindustrie, or German dye trust attempts to control synthetic rubber development in the United States. As a matter of fact there is even a chapter in the Basic Magnesium, Inc., story that leads back to I. G. F. control of the process which B. M. I. proposes to use.

UP to the beginning of the defense emergency, the United States had only one magnesium plant in operation, a 9000 tons per year unit run by the Dow Chemical Company of Midland, Mich., which extracted the metal from salt water. Additional U. S. consumption of this metal, lighter than aluminum and valuable as an alloy to give aluminum extra hardness, had been met by imports from Europe. German metallurgists had really pioneered the development of the metal, but in 1936 a British operating company, British Elektron, Ltd., began extensive reduction of the ore in England, licensed to operate under patents controlled by I. G. Farbenindustrie. In the United States these patents are supposedly controlled but not developed by Magnesium Development Co., a holding company jointly owned by the Aluminum Company of America and I. G. F.

Other industrialists in America also saw the possibilities of magnesium development. Among them were the Hanna interests of Cleveland, for years operators of coal and iron properties in the Great Lakes area. The Hanna interests sent engineers to England to study British Elektron operations, with an eye to developing the magnesite ore deposits in Nevada. The result was the formation of Basic Magnesium, Inc., 45 per cent owned by the British who were to furnish the "know-how" of operation, 55 per cent owned by Basic Refractories, a Hanna holding company which in turn owned as a subsidiary, Basic Ores, which acquired the Nevada magnesite deposits—if you can follow that corporate daisy chain.

ORIGINAL plans of Basic Magnesium called for a plant with a modest 5000 tons a year capacity. Then came the war, and the demands for magnesium zoomed. After consulting the Army and the Defense Plant Corporation, the company multiplied these plans gradually by 11 plus, with the result that contracts were let for the \$63 million plant with a capacity of 56,000 tons of ore a year, which was announced in mid-August, 1941. Basic Magnesium didn't have to put up a cent, beyond its nominal costs for promotion and proving the ore, estimated at from \$25,000 to \$50,000.

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pany, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Agreement Described.

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From
WORLD TELEGRAM
New York City

APR 9 1942

Senator Demands Probe Of Defense Plant Corp.

Basic Magnesium Pact 'Sinister,' Declares Bunker

Antigo Journal
Antigo, Wis.

APR 9 - 1942

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Sees Huge Profit.

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Transferred Rights.

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NICE BUSINESS

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Under the contract, the government retains title to the plant, but Basic Magnesium was given a cost-plus fixed-fee contract for operation and construction. Ba-

sic Magnesium is to receive a \$300,000 fee plus cost for construction and engineering although, according to Senator Wallgren's sub-committee, the company had little or no construction experience and though more than \$1 million is to be paid in fees for construction, engineering and architectural services being performed by others. Further, if the Defense Plant Corporation should cancel the contract, the government would have to pay Basic Magnesium \$1 million and double the royalties on the ore from \$1 to \$2 a ton, although the Basic Refractories company is now leasing quarries near Las Vegas on payment of 25 cents per ton royalty.

MAGNESIUM MAN

George of the Basic Magnesium, Inc., says which the Truman committee will probe in Washington, and the man who will be in the spotlight, is Howard P. Eells, Jr., of Cleveland. * * * He is connected with several of Cleveland's oldest and richest families. * * * Graduated from Williams in 1915 * * * Ser-

ved in Ohio National Guard on Mexican border and in France with Rainbow Division. * * * Rose from second lieutenant to captain of field artillery. * * * Saw action at Alsace-Marne, St. Mihiel and Argonne. * * * Joined Basic Dolomite Co., of Tiffin, O., in 1919. * * * This firm became Basic Refractories, Inc., in 1941. * * * Eells is now president. * * * A brother, Samuel Eells, is vice president. * * * Dan P. Eells of Milwaukee is chairman of the board.

ARMS 'FRAUD' CRY

Senator Assails Deal Between RFC Unit and Magnesium Firm on Nevada Refinery.

AS "BETRAYAL" OF U. S.

Bunker Says Probe Indicates Some Federal Officials Are "Guilty of Malfeasance."

CHARGES TIE IN ENGLAND

Assets Not Enough to Justify Credit of 63 Million Dollars, He Contends.

(By the Associated Press.)

Washington, April 9.—Senator Bunker of Nevada, Democrat, charged in a Senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a 63-million-dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Charges British Tie.

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Not Enough Assets.

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Tells of Big Royalty.

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APR 9 - 1942

Plant Accused Of 'Profiteering'

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virtual judgment and pressure.

The sliding scale recommended by the committee would allow profit up to 10 per cent on war contracts of \$100,000 or less. Profits would scale down in percentage as the size of the contract increased, until contracts of \$50,000,000 would only permit a 2 per cent profit.

The purpose of such a scale is reasonable. It is designed to give the contractor, who may only get one relatively small assignment or two a year, some margin for backlog. Big contracts with less percentage of profit can prove just as lucrative, because they extend over a considerable period, do not so often require retooling or changeover in processes, and still provide substantial return on investment.

Several weeks ago, we suggested that along with suspension of the 40-hour work week in war production, a 6 per cent limit on war profits should be enacted by Congress. The sliding scale would approximately accomplish this design and apparently be more flexible. Perhaps an even better plan may be evolved before discussion ends.

One point should be closely considered by Congress. Such a law should provide in some way for limiting annual profit. Many concerns, for instance, net far more than 6 per cent in a year, although their margin of profit per item, or single job, may have been only 1 per cent. This is a weakness in it profits without rigid legal controls—a wise decision. Such power would be too subject to individual judgment and pressure.

The sooner Congress passes a law leveling off war profits, the sooner it will strike a particularly vicious type of barnacle from America's war production. Such an act will do much to reassure the public and bulwark national morale.—St. Louis Globe-Democrat.

THIS WEEK

With

"BILL" HIGGINS

AS AN OLD movie fan, we're out of sorts today. Frankly, we don't get it—this recent trend toward "double horror" shows. One blood-curdler at a time is bad enough. What we need right now is entertainment of a lighter nature, not something to whip our nerves into a short-circuit.

be reduced from 60 to 40 miles an hour. This is going to make those drivers with a heavy foot unhappy. Yet oddly enough, most motorists who tear down the road with sparks shooting from the muffler always find time to linger over a bottle of pop as soon as they reach their destination.

RECOMMENDED reading — especially for those who don't grasp what an invasion of the U. S. would mean: Robert St. John's new book, "From the Land of Silent People". It's a vivid portrayal of the Nazi conquest of Yugoslavia, the fall of Greece and Britain's defeat at Crete, written by a war correspondent who was right in the thick of things. The author pulls no punches; neither does he spoil his narrative with any second-guessing. For our money it's by far the best book to come out of the war. Squeamish folks, if there are any left, won't like it.

SPEAKING of drivers. Almost 900 sets of duplicate license plates have been issued to Minnesota car owners since the first of the year. What goes—and where?

THE TREASURY department suggests income tax deductions be liberalized to permit full allowance for "extraordinary medical expenses". That makes sense. Any family is apt to bump into an unexpected and costly illness. But the trouble is, the fellow with an average income feels like sending for a doctor the minute he sees the size of his taxes.

THEY'RE planning a practice blackout at Stillwater prison in the near future. It'll be every lock for itself that night.

FREE SPEECH. Out in California a fellow named Robert Noble, founder of an isolationist group called "Friends of Progress", is under arrest for sedition. Among other things, Noble publicly charged MacArthur with deserting his troops in the Philippines. Previous to that, he told a committee of the California legislature that he believes in most of the things Hitler has done. Noble's record also shows that he deserted from the navy in World War I, was then dishonorably discharged, and shortly afterward was convicted in Pittsburg of petty larceny. And he labels MacArthur!

THE SENATE HAS uncovered another case of huge salaries and big bonuses paid to officials and employees of a small firm holding a defense contract. This time the culprit is a mining company, Basic Magnesium, Inc., of Las Vegas, Nevada, reported on its way to a profit of ONLY 4,000 per cent on a federal contract. Perhaps a way can be found to prosecute these profiteers, though that's doubtful. The real fault can be checked back to an outmoded system of contract-letting and failure of congress to enact adequate war profit legislation.

HARI-KARI in the hoosegow. Carl Schroetter, recently convicted as a Nazi spy, took off by the belt-and-bar route two days after landing at Atlanta prison. He was found hanged in his cell. The manila shortage makes it impractical to furnish rope to despondent spies.

IF OUR STATE pardon board wants to tear up its rules and give the Rev. Henry Soltan an earlier hearing than he would otherwise be entitled to, that's their privilege. But having established this precedent, what will the board do when some fellow who lacks the influence of many friends, and 400 petitions, asks that the rules be waived for his benefit?

HE DID IT before, he's done it again. Donald Mason of Rochester, Minnesota's No. 1 hero of World War II, polished off his second U-L at last week. For his successful encore, Mason has been commissioned an ensign. He was formerly a chief machinist's mate. This is the young man, you'll remember, who reported after sinking his first Nazi submarine in February, "Sighted sub, sank same".

THE ORIGINAL sugar order, permitting commercial users to buy up to 80 per cent of last year's purchases, has been amended to halt a new type of racket. The priority board found that in some sections those sterling patriots who are always ready to turn a fleazy dollar had set up fake businesses and were buying all the sugar they could get their gloves on. When the pinch comes, they'll be all set to bootleg their stocks to anyone who cares to deal with tramps of that type—if Uncle Sam hasn't dealt with them first.

SIGN OF the times. A bill has been introduced in the senate to suspend for the duration all National holidays except Christmas. We may come to it before we're through.

PRETTY SOON now and top speed on Minnesota's highways will

A NEW YORK columnist (not Winchell) reports that a famous night spot is all a-tremble over the glamour-girl contest it will stage this coming week-end. That's the stuff to give the troops! Can't you just see them now—the boys in the foxholes of Bataan, the Yankee pilots down in Australia, the sailors on Atlantic patrol, the countless thousands on duty elsewhere or in training camps—all of them, wherever they are, anxiously waiting to hear what dreamy-eyed deb walks

off (if she can) with the greatest of honors. After all, what's a distinguished service cross?

HERE'S A SUMMARY of the second war powers bill, now law of the land. It establishes a two-year jail term for violating priority orders. Permits the government to examine the books of any firm holding a defense contract. Authorizes use of copper in coining 5-cent pieces. Permits the treasury to accept gifts. Gives the ICC the same power over motor and water carriers that it has over railroads. Suspends maritime regulations when necessary for movement of troops or supplies. Permits use of CCC enrollees for guarding industries and resources. Extends free postage to all men in the armed forces whether serving at home or abroad.

PARTING THOUGHT—Next to General MacArthur, the best known personalities in the army (so we're told) are Big Dick, Little Joe, and a guy named "Nighter" from Decatur.

Losing Battle Of War Profits, Senator Warns

4,280 Pct. Potential Profit of Magnesium Company Cited

Washington Bureau of The Chicago Sun. Washington, April 9.—Citing the case of Basic Magnesium, Inc., which he said stands to make a profit of 4,280 per cent, or \$2,140,000, in one year on a government war contract, Senator Berkeley L. Bunker (Dem., Nev.), asserted today that so far, "the people of America are losing the battle of Washington."

He told the Senate that the magnesium concern, which has headquarters in Cleveland, and has an investment of not more than \$50,000 in its mining operations, has 43 men who draw salaries of from \$3,900 to \$36,000 a year out of funds advanced by the government on the mining enterprise.

Only Top Men Included.

The Senate's war program investigating committee, which unearthed the data for Bunker's statements, said that Bunker had called attention only to the top salaried men. "At least 140 more would have to be included on the list if he had taken in the \$150 to \$200 a month men," it said.

A committee spokesman pointed out, also, that Basic Magnesium, Inc., is not doing the actual construction work on the plant and ore facilities contracted for by the government, and which will be built near Las Vegas, Nev. "The spade work is being done by a California contractor, the McNeil Construction Company; Basic Magnesium, Inc., is merely the engineer on the \$70,000,000 job, and is to receive a \$400,000 fee for construction and engineering services," he explained.

Agree Curbs Are Needed.

[Chairman Kenneth McKellar (Dem., Tenn.) of the Senate Military Appropriations Subcommittee asserted that members of the subcommittee appeared to have agreed that legislative action must be taken to curb high profits on war contracts, the United Press reported.]

[He said final subcommittee action on the new \$18,301,961,345 supplemental war funds bill had been postponed until Monday to permit perfection of an amendment which would permit renegotiation of any war contract believed to permit excessive profits.]

Bunker expressed reluctance to make the magnesium concern's salary list public "for fear of the reaction it will have from the men who are training, fighting and dying for their country at \$21 a month; for fear also of the reaction of the men, women and children who are putting their dollars, dimes and pennies into war bonds and stamps.

'Public Entitled to Know.'

"But I believe the Senate and the public are entitled to know how the taxpayers' money is being spent by Washington departmental officials. It will be noted that 14 of these officials are receiving more pay than the base pay of Gen. MacArthur, who has literally offered his life for his country.

"The battle of the Pacific is not won, and to date the American people are losing the Battle of Washington."

Bunker commented that the salary figures leave little reason to wonder that labor is insisting on "reasonable hours and good salaries in war industries."

Solon attacks magnesium contract

WASHINGTON, April 9.—(UPI)—Sen. Berkeley L. Bunker, D., Nev., charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister as to indicate that some officials are guilty of malfeasance."

Bunker denounced an agreement between the Defense Plant Corp., a subsidiary of the reconstruction finance corporation and Basic Magnesium, Inc., a private concern with headquarters in Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which supplied knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker said that "if the agreement between the Defense Plant Corp. and the Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded, Sen. John Thomas, D., Idaho, congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup. We must prosecute the fellows who are looting the treasury."

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1—A "gift" of \$300,000 from the Defense Plant Corp. to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2—Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells Jr., Cleveland, president of Basic Refractories.

3—Payment of \$28,000 by the Defense Plant Corp. to a firm of architects, for using plans for 800 demountable houses—plans which had previously been used on another government project.

4—Payment of \$4,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesium, "which they no longer have to distribute."

5—He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

Officer Claims Firm Is O. K.

Milwaukeean Officer of Company Controlling '4,000%' Subsidiary

Daniel P. Eells, Milwaukee industrialist, is chairman of the board of Basic Refractories, Inc., of which Basic Magnesium, Inc., accused last week by a Senate subcommittee of profiteering, is a subsidiary, it was learned Monday.

Eells is vice-president of the Bucyrus-Erie Co. of South Milwaukee and lives at 1653 N. Prospect av. His brother, Howard Eells, wealthy Cleveland (Ohio) industrialist, is president of both Basic Refractories, Inc., and Basic Magnesium, Inc.

Another brother, Samuel, is vice-president of Basic Refractories, Inc.

The attack on Basic Magnesium, Inc., was made in the Senate by Senator Bunker (Dem., Nev.), who charged that the corporation "stands to make a profit of 4,280%, or \$2,140,000, in one year on an admitted investment of not more than \$50,000."

The corporation, whose offices are at Cleveland, is building a \$63,000,000 magnesite refining plant at Las Vegas, Nev., with funds supplied by the Defense Plant Corp., according to Bunker.

Received No Income

Daniel Eells said here Monday that he received no income from Basic Magnesium, Inc., and that he had no connection with the company so far as management was concerned. He explained that Basic Magnesium, Inc., was not a wholly owned subsidiary of the parent firm and that a "lot of English capital" is invested in the subsidiary.

Asked for a statement about his income from Basic Refractories, Inc., Eells said that he would make no disclosures.

He said he had been chairman of the board of the corporation for "some years."

Eells said that Howard Eells was in Washington and would make a statement Monday or Tuesday in reply to the charges in the Senate.

No Cause for Apology

Daniel Eells said: "There is nothing that Basic Magnesium should apologize for. The facts will all come out in due time. The firm will be entirely cleared of the charges."

Eells said that he was in possession of "all of the facts" relating to Basic Magnesium but that he preferred not to make a detailed statement at this time because his brother would do that.

Pact on Magnesium Hit; Jones Denies Charges

Senator Bunker Declares President and Public Victimized With Nevada Refinery

WASHINGTON, April 9. (U.P.)—The Senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Senator Bunker (D.) Nev., who denounced an agreement between the corporation, an R.F.C. subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the concern stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a complete investigation and that the refinery contracts be rewritten immediately.

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JONES AND BUNKER IN MAGNESIUM ROW

Senator Bunker Calls Contract for Nevada Plant 'Scandalous'

By Arthur Hachten

Staff Correspondent International News Service

WASHINGTON, April 9.—Senator Berkeley L. Bunker (Democrat), Nevada, and Federal Loan Administrator Jesse Jones clashed violently today over

estimated cost," Jones said, continuing: "The royalty for the ores will not exceed one-fourth cent per pound of magnesium produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

After Bunker had said the DPC contract with Basic Magnesium, Inc., of Cleveland, Ohio, for a \$70,000,000 magnesium project near Las Vegas, Nev., would net that company a profit of 4,280 per cent in one year on a \$50,000 investment plus other unwarranted allowances, Jones bluntly replied:

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker immediately shot back: "Everything I said was brought out in a report of the Truman committee of the Senate following an investigation on the ground. As for Mr. Jones' insinuation that I took refuge in immunity given to speeches made on the Senate floor, I recall that I made similar charges in Nevada. I will answer Mr. Jones on the Senate floor Monday."

"These are the things that are undermining the confidence of the people in the war setup. We must prosecute these fellows who are looting the Treasury."

Bunker said that the DPC in putting up all the money for the project had permitted to go into the contract "almost unbelievable expenditures of the taxpayers' money." Senator Thomas (Republican), Idaho, joined Bunker on the Senate floor in assailing the contract, saying:

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From
DISPATCH
St. Paul, Minn.
APR 9 1942

Corruption and Fraud Seen in Refinery Agreement— People Betrayed in Magnesium Deal, Solon Charges

WASHINGTON (AP)—Senator Bunker (D., Nev.), charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, for construction of a \$63-million-dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp. and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., is guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared the ramifications of the transaction are so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue,

involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, is owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock is owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$3 million dollars to build a refinery at Las Vegas," Bunker said.

Neither company, Basic Magnesium, Inc., nor the English company, Magnesium Elektron,

Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corp.-Basic Magnesium, Inc., agreement provided that Defense Plant Corp. would pay the company one million dollars in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for ten years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories."

He said the Defense Plant Corp. purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corp. also agreed to pay a firm of architects \$28,000 for the priv-

ilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The Defense Plant Corp. is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corp. is paying the salaries of English technicians who are in

America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,900 to \$36,000 a year and termed the salaries "extortionate."

From
Journal
MERIDEN, CONN.
APR 9 1942

Makes War I Profiteering Look Like Petty Larceny

Senator Says Outfit Can Profit 4,280 P.C. On \$50,000 Stake

Washington, April 9. (AP)—Senator Bunker (D-Nev) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Foreign Intrigue

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He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

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From
PRESS
Savannah, Ga.
APR 9 1942

ALLEGED SCANDAL BARED BY SENATOR

BUNKER CHARGES SINISTER
PLOT IN MAG-
NESIUM DEAL

URGES THOROUGH PROBE
OF DPC ACTIVITIES

SAYS SOME OFFICIALS
MAY BE GUILTY OF
MALFEASANCE

WASHINGTON, April 9. (AP)—Senator Bunker (D-Nev.), charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

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From
TIMES-HERALD
Port Huron, Mich.
APR 9 1942

WANTS PROBE OF PLANT DEAL

Senator Blasts U. S. Defense
Industry Agency

(By The Associated Press)
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From
KNICKERBOCKER NEWS
Albany, N. Y.

APR 9 1942

RFC Agency Linked To 'Sinister Fraud' In Refinery Contract

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From
STATES
New Orleans, La.

APR 9 1942

Senator Charges Aluminum Fraud

(The Associated Press)
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From
NEWS
Indianapolis, Ind.

APR 9 1942

SENATOR ASSAILS MAGNESIUM DEAL

Demands Probe of Contract
for Refinery—Sees Signs
of Malfeasance

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From
EVENING SUN
Baltimore, Md.

APR 9 1942

Bunker Charges Betrayal In Magnesium Deal

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ITEM—TRIBUNE
New Orleans, La.

APR 9 1942

New Project Is Called War Fraud

RFC Subsidiary
Scored In Attack
On Magnesium Job

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From
DAY
New London, Conn.
APR 9 1942

Charges Fraud In Magnesite Plant Contract

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WINONA REPUBLICAN-HERALD
THU APRIL 9 1942

Senator Bunker Assails Magnesite Refinery Plans

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From
TRIBUNE
South Bend, Ind.
APR 9 1942

DEFENSE PLANT QUIZ DEMANDED; FRAUD CHARGED

(By Associated Press)

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From
NEWS
Saginaw, Mich.
APR 9 1942

Refinery Deal Called Sinister

Nevada Senator Suspects
Malfeasance in Magnesium Agreement.

CALLS FOR INQUIRY

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(Continued on Page 12, Column 2.)
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Mining Claims Transferred.
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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which the defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or was sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that the defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction

\$250,000 a year royalty on ore taken from the public domain claims and an estimated \$550,000 for management and operation of the plant annually. The total was \$2,140,000.

Royalty Provided.

In the case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$550,000, instead of \$250,000 annually, for ore taken from the public domain claims, Bunker asserted.

He said the defense plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

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From
NEWS—POST
Baltimore, Md.
APR 9 1942

Charges Profiteering In Defense Plant

Sen. Bunker Says
Some U. S. Officials
May Be Guilty

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From TIMES
LOUISVILLE, KY.

APR 9 1942

War Contract Probe Asked

Huge Profit Magnesium
Deal Is Flayed.

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From
EVENING UNION
Springfield, Mass.
APR 9 1942

FRAUD CHARGED IN BUILDING OF MAGNESITE PLANT

American People Betrayed
by RFC Subsidiary,
Senator Claims

WASHINGTON, April 9 (AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, is president. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$550,000, instead of \$250,000 annually, for ore taken from the public domain claims, and an estimated \$550,000 a year royalty on ore taken from the public domain claims, and an estimated \$550,000 for management and operation of the plant annually. The total was \$2,140,000.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or was sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that the defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction

From
VINDICATOR
Youngstown, Ohio
APR 9 1942

Magnesium Plant Called Fraud on U. S.

Senator Demands Probe of
Defense Body in 63-
Million Project

WASHINGTON, April 9.—Senator Berkeley W. Bunker, Democrat, Nev., charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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From
SUN-TELEGRAPH
Pittsburgh, Pa.
APR 9 1942

Senator Charges War Graft

WASHINGTON, April 9.—(AP)—Senator Bunker (Dem.) of Nevada, charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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AMERICAN
Waterbury, Conn.
APR 9 1942

Defense Plant Corp. Accused Of Malfeasance

Senator Demands Probe of War Factory Agency

Washington, April 9.—(AP)—Sen. Bunker (D-Nev.) charged in a Senate address today an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a 63 million dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving 63 million dollars to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corp.-Basic Magnesium, Inc., agreement provided that Defense Plant Corp. would pay the company 1 million dollars in case the plant was sold to some company other than Basic Magnesium, Inc., \$300,000 for supervising construction, and an estimate \$260,000 for management and operating of the plant annually, with other payments that would total \$2,140,000.

Royalties Required For 10 Years

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

He said the defense plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories."

He said the Defense Plant Corp. purchased past moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

Charge House Plans Bought Twice

"The Defense Plant Corp. also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant — plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The Defense Plant Corp. is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corp. is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,900 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

From
HERALD
Manchester, Conn.
APR 9 1942

Charges Agreement Indicates Officials Betray Their Trust

Senator Bunker Says Contract So Sinister as To Show Some Are Guilty of Malfeasance.

Washington, April 9.—(AP)—Senator Bunker (D., Nev.), charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance." He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

Calls Agency Corrupt

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Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$260,000 for management and operating of the plant annually. The total was \$2,140,000.

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Royalty Payment Required

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

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Calls Salaries "Extortionate"

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From
NEWS-TIMES
Danbury, Conn.
APR 9 1942

Sen. Bunker Demands Magnesite Deal Probe

Calls Agreement Between U. S. Agency and Firm a Sinister Fraud.

Washington, April 9 (AP)—Senator Bunker (D., Nev.), charged in a Senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Betrayal of People

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Traces Foreign Ties

Forty-five per cent of the stock in Basic Magnesium, Inc., he said,

was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

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"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

U. S. Obligated

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"Thus the government bought the same plans twice."

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CONSTRUCTION ORDER TERMED MALFEASANCE

—Senator Bunker of Nevada Says Agreement Between Concerns Must Be Investigated.

By the Associated Press
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Agreed To Pay Bills

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 200 demountable houses at the Las Vegas plant — plans which had previously been used on another government project," Bunker charged.

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DEMANDS PROBE OF U. S. AGENCY

Nevada Senator Charges Last War's Profiteering Pales Into Insignificance

BETRAYAL OF PRESIDENT

Brands Basic Magnesium, Inc., Plant Project Most Flagrant Attempt

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May Profit 4,280 Per Cent

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Sole Assets

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Senator Charges Aluminum Fraud

(The Associated Press)
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Senator Hints Huge Corrupt Defense Deals

Says Some Government Officials May Be Guilty—4,280% Profit

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Magnesium Plant Pact Is Assailed

Young Nevada Senator Demands Thorough Inquiry; Assails Government

SEES POSSIBILITY OF GREAT PROFITEERING

Defense Plant Corporation Attacked in Charges Made in Senate

WASHINGTON, April 9 (AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

Sees Huge Profit

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard E. Eells, Jr., of Cleveland, O., is president.

His Report On Terms

Bunker said terms of the Defense Plant Corporation - Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the Defense Plant Corporation agreed to pay all the

bills, including salaries, wages and materials and contractor fees and certain expenses incurred prior to the culmination of the agreement.

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 200 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

APR 9 1942

Defense Plant Corp. 'Fraud' Hit in Senate

WASHINGTON, April 9 (AP)—Senator Bunker (D. Nev.) charged today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

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Previously, the special Senate committee investigating national war projects reported that hearings it conducted at Las Vegas indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England.

TERMS OF AGREEMENT

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and a estimated \$560,000 for management and operation of the plant annually. The total was \$2,140,000.

"The Defense Plant Corporation," Bunker said, "is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3900 to \$36,000 a year and termed the salaries "extortionate."

Serious Charges Are Hurlled In Federal Magnesium Deal

WASHINGTON, April 9 (AP)—Senator Berkeley L. Bunker (D) of Nevada charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

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Senator Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Senator Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Mr. Eells also is president of the subsidiary, Basic Magnesium, Inc., Senator Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Senator Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

"The Defense Plant Corporation," he said, "is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now

in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Senator Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,900 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Senator Bunker said it would be sold to the Government at the same price paid to private producers.

From
BULLETIN
Philadelphia, Pa.

APR 9 1942

SENATOR ACCUSES RFC SUBSIDIARY

He Charges Defense Plant Agency Made Sinister Magnesium Deal

By The Associated Press

Washington, April 9.—Senator Bunker (D-Nev.) charged today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the DPC, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement represents a cross section of conduct on the part of the DPC, I can come to only one conclusion: We are tolerating the existence of any agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Senator Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., Senator Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"The DPC agreed to pay a firm of architects \$25,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged. "Thus the Government bought the same plans twice."

"The DPC is paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, the DPC is paying the salaries of English technicians who are in America promoting interests of their company."

Federal Agency Charged With Making a "Sinister" Magnesium Plant Contract

Washington, April 9.—(AP)—Senator Bunker of Nevada charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion—we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Senator Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"The DPC agreed to pay a firm of architects \$25,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged. "Thus the Government bought the same plans twice."

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\$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

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From
TRIBUNE
Des Moines, Iowa
APR 9 1942

Would Probe R.F.C. Unit

WASHINGTON, D. C. (AP)—Senator Bunker (Dem., Nev.) charged in a Senate address Thursday that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63 million dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp.

Last week, Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Forty-five per cent of the stock in Basic Magnesium, Inc., Bunker said, is owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock is owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nevada.

Less Than \$50,000.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

Bunker said terms of the Defense Plant Corp.-Basic Magnesium, Inc., agreement provided that Defense Plant Corp. would pay the company one million dollars in event the plant was sold to some company other than Basic Magnesium, Inc., \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

Corruption and Fraud Laid at Government Agency's Door

Senator Charges "Sinister" Implications in Contract to Basic Magnesium, Inc.

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He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Recon-

struction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the defense plant corporation is a betrayal of the President and the American people."

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Senator Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"The DPC agreed to pay a firm of architects \$25,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged. "Thus the Government bought the same plans twice."

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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract the sum of \$211,600," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

FACTS ON FILE

New York City

Thursday, April 9

Jones, Bunker Clash Over Profits, Senator Berkeley L. Bunker, D., Nev., charges and Secretary of Commerce Jesse H. Jones denies that Basic Magnesium, Inc., of Cleveland, stands to make "unconscionable profits" on an agreement with the RFC's subsidiary Defense Plant Corporation to build a magnesium plant at Las Vegas, Nev.

Bunker calls the contract "sinister," "a fraud" and "a betrayal" and says in the Senate that Basic Magnesium, with little construction experience, is to get \$300,000 for supervising the building of the plant plus traveling expenses, salaries and other expenses for numerous officers. The Senate defense investigating committee has also denounced the proposed lease as "flagrant" war profiteering.

Jones calls the charges "false and misleading" and says they "cannot go unchallenged." Total fees to nine contractors and to Basic Magnesium will aggregate less than 2% of the \$70,000,000 cost, he says. [See Vol. I, page 334H]

Jesse Jones Scuffles with Eugene Meyer, Secretary of Commerce Jesse H. Jones, 68, scuffles briefly with Eugene Meyer, 66, publisher of The Washington Post, at a dinner in Washington after an argument over an editorial in this morning's Post. The editorial accused Jones of "shielding himself" behind others to escape blame for "his failure to accumulate a more adequate rubber stockpile."

Corruption Charged in Defense Work

Nevada Senator Soys U.S. Agency Apparently Engaged in Profiteering

WASHINGTON, April 9.—(AP)—Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

CHARGES BETRAYAL

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating National war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today the ramifications of the transaction are so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, is owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

OTHER STOCK OWNERSHIP

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work has been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible for warrant such an extension of credit on a sound business basis."

AGREEMENT TERMS

Bunker said terms of the Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$250,000 a year royalty on ore taken from the public domain claims, and an estimated \$500,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the Government would be required to pay a royalty of \$500,000, instead of \$250,000 annually, for ore taken from the public domain claims, Bunker asserted.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and mate-

rials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

He said the Defense Plant Corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged.

"Thus the Government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3000 to \$38,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the Government at the same price paid to private producers.

New Rap at Nevada Co.

WASHINGTON, April 9.—Senator Berkeley L. Bunker, Democrat of Nevada, charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the defense plants

Senator Brands Magnesium Pact As 'Sinister'

Half of Stock Belongs Directly or Indirectly To Nazis—Charge

WASHINGTON, April 9 (U.P.)—Senator Berkeley L. Bunker, Dem., Nevada, charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4280 percent in one year.

Bunker said that in organization of Basic Magnesium, 45 percent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker said that "if the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded Senator John Thomas, Dem., Idaho, congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement.

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Subsidiary of RFC Assailed

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He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4280 per cent in one year.

Bunker also charged that "extortionate salaries" were being paid to 42 officials of Basic Magnesium.

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people," he said.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of the refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1. A "gift" of \$300,000 from the Defense Plant Corporation to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2. Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells, Jr., Cleveland, president of Basis Refractories.

3. Payment of \$28,000 by the Defense Plant Corporation to a firm of architects, for using plans for 800 demountable houses—plans which had previously been used on another Government project.

4. Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesium, "which they no longer have to distribute."

5. He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

Demand Probe of Federal Bureau, Magnesium Plant

WASHINGTON, April 9, (A. P.)—Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corpora-

tion is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock of Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Defense Profits Attacked

WASHINGTON, April 9 (U.P.)—Sen. Berkeley L. Bunker (D., Nev.) charged in the Senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corporation and the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters in Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4280 percent in one year.

Bunker said that in organization of Basic Magnesium, 45 percent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"If the agreement between the defense plant corporation and Basic Magnesium, Inc.," said Bunker, "represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look

like petty larceny by comparison."

When Bunker concluded Sen. John Thomas (D., Idaho), congratulated him.

"Those fellows shouldn't be investigated," he said. "They should

be prosecuted. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Investigation Asked Of Magnesium Pact

WASHINGTON (AP)—Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc. of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp.

SENATOR ASSAILS MAGNESITE PLANT DEAL AS 'SINISTER'

Bunker Says \$63,000,000 Agreement Indicates Malfeasance on Part of Some U. S. Officials.

CHARGES FRAUD BY RFC SUBSIDIARY

Demands Investigation of Defense Plants Corporation—Terms of Refinery Contract.

WASHINGTON, April 9 (AP).—Senator Bunker (Dem.), Nevada, charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a 63-million-dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our Government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

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Possible 4280 Pct. Profit.
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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Ohio Firm Chief Owner.
Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 26 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving 63 million dollars to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or was sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Terms of Agreement.
Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$500,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the Government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

Bonus on Peat Moss.
He said the Defense Plant Corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged. "Thus the Government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 49 officials of Basic Magnesium, Inc., whose salaries ranged from \$3900

to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to Government at the same price as to private producers.

But Friday, April 3rd, Senator Bunker, Democrat, of Nevada, charged on the floor of the Senate that Basic Magnesium, Inc., of Cleveland, Ohio "stands to make a profit of 4280 per cent, or \$2,140,000 in one year on an admitted investment of not more than \$50,000."

Such a profit as that on a \$50,000 investment appears to the average citizen as fabulous war gain. Senator Bunker charged this as being "one of the most flagrant attempts at war profiteering."

This is only one of many instances in which it appears that companies or corporations obtaining war contracts are seeking huge profits. The public is justified in believing that more care should be exercised in the awarding of war contracts, if the charges of big profits frequently made are true. And when charges are made by members of Congress in committee rooms or on the floor of the Senate or House the public gives credence to them. Members of Congress should have reliable information on the spending of public money appropriated by them for war purposes. Such reports coming from apparently reliable sources, justify the public demand for reasonable economy in the war program.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company one million dollars in case the plant was sold to some company other than Basic Magnesium, Inc.; 300 thousand dollars for supervising construction; 280 thousand dollars a year royalty on ore taken from the public domain claims, and an estimated 560 thousand dollars for management and operating of the plant annually. The total was \$2,140,000.

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Bunker Tells of Fall of Bataan; Hits Profiteering

Charges BMI Agreement Is Fraud

WASHINGTON, April 9 (UP).—Senator Berkeley L. Bunker of Nevada today announced the fall of Bataan in the Senate, and as he did so attacked as "worthy of contempt" individuals who take "unconscionable profits, slowing up war production."

Senator Bunker obtained the floor immediately after the Senate met. "A pall of sadness falls over the American people when they realize that Bataan has fallen and that two British warships have been sunk," he said.

"SINISTER" AGREEMENT
Continuing, Bunker charged that the government's agreement with Basic Magnesium on the

Bunker's Charges Branded 'Untrue'

WASHINGTON, April 9 (UP).—Secretary of Commerce Jesse Jones angrily termed Senator Berkeley Bunker's statements against defense plants "untrue and irresponsible."

"They are unworthy of a United States senator," he said. "They cannot go unchallenged. There are nine contractors participating in the Las Vegas construction. Fees total less than two per cent of the plant cost. No irregularities have been discovered. Senator Bunker's speech contains false, misleading statements, which it takes no courage to make under his cloak of immunity."

Construction of the magnesium plant at Las Vegas was "so sinister" that it indicates that some officials may be guilty of malfeasance.

Senator Bunker denounced the agreement as a "fraud being perpetrated by the Defense Plant Corporation and Basic Magnesium."

"BETRAYAL"

Bunker said the agreement was a betrayal of the president of the United States and the American people. "If the agreement between these two represents a cross-section of the conduct of the Defense Plants Corporation we are tolerating a government agency so corrupt it will make the last war's profiteering look like petty larceny."

Senator Thomas of Idaho congratulated Senator Bunker, saying, "Those fellows shouldn't be prosecuted, they should be jailed. We must prosecute these fellows who are looting the treasury."

Flays 'Fraud' in Magnesium War Contract

Senator Says Federal Agency Allows Huge Profit; Asks Probe

Washington, April 9 (AP).—Senator Bunker (dem., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a 63 million dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Make 4,280 Per Cent
"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the president and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than 50 thousand dollars.

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Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Hits Nazi Agreement

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than 50 thousand dollars, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving 63 million dollars to build a refinery at Las Vegas," Bunker said.

Cites Annual Royalty

"Neither Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Senator Bunker charged that the officials of the Defense Plant Corporation "gave" Basic Magnesium \$300,000 to supervise project construction of the plant at Las Vegas. He also charged the corporation paid Basic Refractories (parent of Basic Magnesium) \$211,000, "no doubt including Eells' trips and hotel expenses." Howard Eells is president of Basic Magnesium.

Senator Tom Connally, chairman of the foreign relations committee, pointed out that the forces on Bataan have been at a disadvantage on account of Japan's inexhaustible manpower for reinforcements.

Chairman Andrew May of the house military affairs committee, said, "It's tough to have lost the Philippines, but we'll be back."

BLASTS BIG DPC DEAL

Senator Bunker Says Basic Magnesium, Inc., Setup Worst Graft in History

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American People Betrayed
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CHARGES U. S. AGENCY WITH PROFITEERING

Senator Declares Defense Plant Corp. Agreement Sinister.

[By The Associated Press.]

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FRAUD CHARGE IS HURLED AT BRANCH OF RFC

Agreement for Constructing Nevada Refinery Hotly Assailed

SENATOR ASKS PROBE

Bunker Declares Agency Is Betraying President and People

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Collusion In Defense Plant Deal Charged

Nevada Senator Demands Probe of Federal Agency

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Senator Bunker Scores Agreement With Company

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard E. Eells, Jr., of Cleveland, O., is president.

Bunker, Truman Report Hits Basic Magnesium

WASHINGTON, April 2.—Branding a lease agreement between the Defense Plant Corporation and Basic Magnesium as "one of the most flagrant attempts at war profiteering to come to its attention," the Truman committee today presented its report on war production to the Senate.

The committee charged also that a lack of "over-all" planning by the armed services and the now defunct office of production management is responsible for the failure of west coast airplane plants to operate at full capacity.

WASHINGTON, April 3.—Senator Berkeley Bunker, Democrat, Nevada, charged in the Senate today that Basic Magnesium, Inc., of Cleveland, is a "racketeering industrial corporation which stands to make a profit of 4,280 per cent" for operation of a government-built magnesium plant at Las Vegas.

The corporation, which has an "admitted investment" of \$50,000, he said, will make a profit of \$2,140,000 in one year in performing certain services in construction of the plant and in operating it later.

Bunker released a list showing the salaries that some of the officials of the corporation receive for their work on the project. The project manager was listed as receiving \$36,000 a year.

Quotes From Record

Bunker quoted from a report issued yesterday by the Senate committee investigating the war program which characterized the Basic Magnesium lease as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

ASSAILS FRAUD IN WAR PLANT

Nevadan Demands Probe Of Defense Plant Corp. And Agreements

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the president and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Seeks Probe of Magnesite Plant

Nevadan Lashes at Federal Agencies

Washington (AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63 million dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation, and added:

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Forty-five per cent of the stock

in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Senator Blames U. S. Officials For Magnesium Profit Gouge

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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AGREEMENT BY RFC, AGENCY COMPANY HIT

Senator Charges Arrangement Indicates Guilt Of Malfeasance

WASHINGTON, April 9.—(AP)—Senator Bunker (D., Nev.), charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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Past Hearings Recalled
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Senator Charges Gross Profiteering In Defense Plant

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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, LTD, of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

PROFITEERING IN MAGNESIUM PLANT CHARGED BY SOLON

Malfeasance Indicated in Las Vegas, Nev., Deal, Young Senator Says

Washington, April 9. (AP)—Senator Bunker (D., Nev.) charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Nevadan Asks Investigation Of 63-Million-Dollar Deal

WASHINGTON (AP)—Senator Bunker (D., Nev.) charged in a senate address Thursday that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation, and added:

"If the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$500,000 for management and operation of the plant annually. The total was \$2,150,000.

War Plant Deal Said "Corrupt"

Nevada Senator Demands Inquiry

Washington—(AP)—Senator Bunker (D., Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "IS SO SINISTER AS TO INDICATE THAT SOME OFFICIALS OF OUR GOVERNMENT ARE GUILTY OF MALFEASANCE."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

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"THESE CLAIMS, ON WHICH BASIC REFRATORIES ADMITTEDLY EXPENDED LESS THAN \$50,000, REPRESENTED THE SOLE ASSETS OF BASIC MAGNESIUM, INC., THE CORPORATION WHICH DEFENSE PLANT CORPORATION IS GIVING \$63,000,000 TO BUILD A REFINERY AT LAS VEGAS," BUNKER SAID.

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

Collusion Hinted In Plant Pact

Senator Demands Magnesite Probe

WASHINGTON, April 9 (AP).—Sen. Bunker (D., Nev.) charged in a senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corp., and added:

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From
AMERICAN
Boston, Mass.
APR 9 1942

RFC LINKED TO FRAUD IN WAR PROFITS

WASHINGTON, April 9 (AP).—Sen. Bunker (D.) of Nevada, charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

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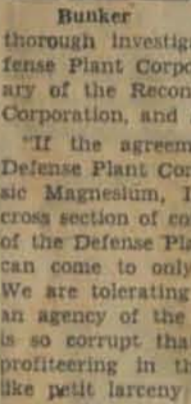
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4280 PERCENT PROFIT CHARGED

Senator Asks Probe of Defense Plant Corporation And Magnesium Firm

By The Associated Press

WASHINGTON, April 9.—Senator Bunker (D-Nev) charged in a senate address today that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."



Bunker He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4280 percent in one year on an admitted investment of less than \$50,000.

World Intrigue

Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five percent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Electron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 percent of the stock was owned by Basic Refractories, Inc., of which Howard E. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the Public Domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

Probe of Defense Plant Corp. Under Jesse Jones Demanded in Congress

By MARSHALL McNEIL
Press Washington Correspondent
WASHINGTON, April 9.—A "complete congressional investigation of the Defense Plant Corp., an RFC subsidiary of which Secretary of Commerce Jesse H. Jones of Houston is the head, was demanded in the Senate today by Senator Berkeley I. Bunker, Democrat of Nevada. The inquiry was urged on the basis of contracts between DPC and Basic Magnesium, Inc., for construction with about \$70,000,000 of Government funds for a magnesite plant at Las Vegas, Nev., for B. M. I. to operate.

Pay All Bills

He said the defense plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"The defense plant corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The defense plant corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, defense plant corporation is paying the salaries of English technicians who are in America promoting interests of their company."

"The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation which I demand be made," Bunker said.

"If agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation," Bunker said.

"I can come to only one conclusion. We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison.

"The fraud that is being perpetrated by the Defense Plant Corporation, and Basic Magnesium, Inc., is a betrayal of the President and of the American people. Money will not win this war, and unconscionable profits will only prolong the war. The saddest betrayal in the history of man was negotiated for 30 pieces of silver."

MORE WITNESSES TO BE HEARD
The contracts behind construction of the Las Vegas plant have already been inquired into by the Truman

committee and later more witnesses will be heard.

Bunker asserts that B. M. I., Cleveland, Ohio company, "stand to make a profit of 4280 per cent in one year on an admitted investment of less than \$50,000."

The young Nevada senator continued:

"Although B. M. I. has had little or no construction experience they are to receive a gift of \$300,000 for supervising the construction of the plant. Remembering that DPC pays all the bills, including the salaries, wages and materials as well as construction engineers and contractors' fees and profits in the amount of nearly a million dollars, it can be seen why I use the term 'gift' when I refer to the \$300,000 which is Basic Magnesium's share for construction.

CHARGES NON CO-OPERATION

Bunker outlined what he called "the startling ramifications that project B. M. I. into the picture of international intrigue, involving English and German interests. He charged that B. M. I. declined to co-operate with the investigator for the Truman committee.

"I will not stand idly by and have a department in Washington or a group of promoters exploit the resources of my state and saddle onto its people an unsound, temporary industry dedicated to the personal profits of a few greedy individuals."

In beginning his speech, Bunker said he intended to "tie together for the Senate the ends of one of the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee." And a little later he said:

"Today I shall lay before this body additional data to warrant the conclusion that the Defense Plant Corp. has entered into an agreement with Basic Magnesium that is so sinister as to indicate that some officials in our Government are guilty of malfeasance in the performance of their duties."

SENATOR ASKS FOR PROBE OF DPC DEALS

Nevada Senator Makes Demand in Denouncing Agreement for Building of Magnesite Refinery.

Washington, April 9.—Senator Bunker of Nevada demanded today in an address to the senate that a thorough investigation be made of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation. The demand came in a speech denouncing the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev.

Bunker charged that ramifications of the agreement reached to British and German interests.

Absurd, Jones Says
Jesse H. Jones, federal loan administrator, declared that Bunker's charges "were absurd" and said that a statement would be issued later in the day.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared today that 45 percent of the stock in Basic Magnesium, Inc., was owned by Magnesium Electron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Declares Assets Small
Bunker said the other 55 percent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary.

Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Electron, Ltd., had sufficient assets or were sufficiently financially responsible in warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the Public Domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 16 years the government would be required to pay a royalty of \$560,000 instead of \$280,000 annually, for ore taken from the Public Domain Claims, Bunker asserted.

To Pay All Costs

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"The Defense Plant Corporation agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which previously had been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The Defense Plant Corporation now is paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting the interests of their company."

Senator Bunker Blasts Agreement For Refinery

WASHINGTON, April 9.—Senator Bunker (D-Nev) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

Bunker demanded a Senate investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

From
HERALD
New Britain, Conn.
APR 9 1942

SENATOR SEES 'MALFEASANCE' IN MAGNESIUM

"Sinister" Agreement Made by
Defense Plant Corp.,
Bunker Charges

DEMANDS FULL PROBE OF RFC SUBSIDIARY

"Fraud" Constitutes "Betrayal of
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tron, Ltd., of England. The Eng-
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Bells Double President

Bunker said the other 55 per
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"These claims, on which Basic
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Bunker said terms of the De-
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In case of a sale of the plant
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of \$280,000 annually, for ore
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He said the Defense Plant
Corp. agreed to pay all the bills,
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"Prior to the formation of
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have expended in the promotion
of this enterprise and the nego-
tiation of the contract, the sum
of \$211,000," said Bunker.

"This no doubt includes Eells'
numerous trips to Washington
and entertainment. This sum is
now being repaid by the Defense
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Plans Bought Twice
He said the Defense Plant
Corp. purchased peat moss re-
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Vegas plant—plans which had
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government project," Bunker
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"Thus the government bought
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"The Defense Plant Corp. is
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land studying the process. At
the same time, Defense Plant
Corp. is paying the salaries of
English technicians who are in
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their company."

Last week Bunker listed 40
officials of Basic Magnesium,
Inc., whose salaries ranged from
\$3,900 to \$36,000 a year and
termed the salaries "extortion-
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Asked off the floor what ar-
rangements had been made for
disposal of the refined product,
Bunker said it would be sold to
the government at the same
price paid to private producers.

From
EVENING NEWS
Buffalo, N. Y.
APR 9 1942

MAGNESIUM PACT CALLED BETRAYAL OF PUBLIC TRUST

Bunker Says \$63,000,000
Credit Given to Concern
With Only \$50,000 Assets

WASHINGTON, April 9 (AP).—
Senator Berkeley L. Bunker, Demo-
crat of Nevada, charged in a Sen-
ate address today that an agree-
ment between the Defense Plant
Corporation and Basic Magnesium
Inc. of Cleveland for construction
of a \$63,000,000 magnesite refinery
at Las Vegas, Nev., "is so sinister
as to indicate that some officials
of our Government are guilty of
malfeasance."

He demanded a thorough investi-
gation of the Defense Plant Cor-
poration, a subsidiary of the R.F.C.,
and added:

"If the agreement between the
Defense Plant Corporation and
Basic Magnesium Inc. represents a
cross section of conduct on the
part of the Defense Plant Corpora-
tion, I can come to only one con-
clusion: We are tolerating the
existence of an agency of the govern-
ment that is so corrupt that it
would make profiteering in the
last war look like petit larceny by
comparison."

Possible 4280% Profit
Last week Mr. Bunker told the
Senate that Basic Magnesium Inc.
stood a chance of making a profit
of 4280 per cent in one year on an
admitted investment of less than
\$50,000.

Mr. Bunker, youngest member of
the Senate, declared that the ram-
ifications of the transaction were
so far reaching as to "project Basic
Magnesium Inc. into the picture of
international intrigue, involving
English and German interests."

Forty-five per cent of the stock
in Basic Magnesium Inc., he said,
was owned by Magnesium Elek-
tron Ltd. of England. The Eng-
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Rest Owned by Basic
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Basic Refractories Inc., of which
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done. Mr. Eells also is president
of the subsidiary, Basic Magnesium
Inc., Mr. Bunker said.

"These claims on which Basic Re-
fractories admittedly expended less
than \$50,000, represented the sole
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Plant Corporation is giving \$63,-
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Promised \$1,000,000

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ded in the promotion of this enter-
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contract, the sum of \$211,000," said
Mr. Bunker.

APR. 9, 1942
OKLA. CITY, OK., TIMES

Sinister Deal on Nevada War Plant Is Charged

Senator Says Magnesite Pact 'Smells'

WASHINGTON, April 9.—(AP)—
Senator Bunker (D. Nev.), charged
in a senate address Thursday that an
agreement between the Defense Plant
Corp. and Basic Magnesium, Inc., of
Cleveland, Ohio, for construction of a
\$63,000,000 magnesite refinery at Las
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ernment are guilty of malfeasance."

He demanded a thorough investi-
gation of the Defense Plant Corp., a
subsidiary of the Reconstruction Fi-
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one conclusion: we are tolerating the
existence of an agency of the govern-
ment that is so corrupt that it would
make profiteering in the last war look
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Committee Critical, Too
"The fraud that is being perpetrated
by the Defense Plant Corp., is a be-
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American people."

Last week Bunker told the senate
that Basic Magnesium, Inc., stood
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investment of less than \$50,000.

Previously, the special senate com-
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English Firm Has Stock
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Basic Magnesium, Inc., he said, was
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Old Plans Used Again
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Bunker

Firm Stands to Make Profit of 4280 Per Cent Nevada Senator Says

Washington, April 8.—Senator Bunker (Dem.) of Nevada, charged today on the senate floor that Basic Magnesium, Inc., of Cleveland, Ohio, for which the Defense Plant Corporation is financing a \$63,000,000 magnesite refining plant at Las Vegas, Nevada, stands to make a profit of 4280 per cent, or \$2,140,000, in one year, on an admitted investment of not more than \$50,000. Jesse Jones, secretary of commerce, is chairman of Defense Plant Corporation.

At Bunker's request a subcommittee of the special senate committee which is investigating the national defense program, conducted hearings at Las Vegas in March and yesterday filed with the senate a report which termed a lease agreement between the Defense Plant Corporation and Basic Magnesium, Inc., involving magnesite deposits, "one of the most flagrant attempts at war profiteering."

Elaborating today Bunker read a list of salaries of officials of the company and added that later in an address to the senate he would "tie the ends of this amazing scandal of war profiteering together."

The list of salaries he read included the names and positions of more than 40 officials, whose salaries ranged from \$36,000 a year to \$3900.

Included were H. C. Mann, project manager, \$36,000; D. W. Stewart, assistant project manager, 020,000; W. F. Way, project manager of construction, \$17,500; G. B. Kaufman, managing engineer, \$17,000; J. R. Charles, English consultant, \$15,000; W. W. Patnee, chief engineer, 013,800; S. J. Fletcher, English consultant; \$12,000; Harley C. Lee, technical advisor, \$12,000; W. R. Batty, director of electrical design, \$10,400; W. B. Dyer, chief engineer, \$10,104; R. C. Kelley, director of purchases, \$10,000, and C. A. Warne, controlled, \$10,000.

"I hesitate to make this very interesting and unusual list public for fear of the reaction it will have from the men who are training, fighting and dying for their country at \$21 per month, and for fear also of the reaction of the men, women and children who are putting their dollars, dimes and pennies into war bonds and stamps," said Bunker.

APR. 9, 1942 ADA, OK. DAILY NEWS 41

Nevadan Lashes Magnesium Dealings

Says So Bad Some Officials Must Be Involved

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a senate address today that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the defense plant corporation is a betrayal of the president and the American people."

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FLORIDA APR 9 1942

Bunker Demands Congress Dig Into 'Sinister' Bargain

Nevadan Says Fraud Perpetrated on Nation In \$63,000,000 Plant

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Calls It "Betrayal."

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Last week Bunker told the Senate Basic Magnesium stood a chance of making a profit of 4280 percent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee investigating National war projects reported hearings it conducted at Las Vegas at Bunker's request indicated Basic Magnesium was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium into a picture of international intrigue, involving English and German interests."

Tied In With Germans.

Forty-five percent of the stock in Basic Magnesium, he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to supply a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 percent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither Basic Magnesium, nor the English company was sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Charges Waste of Funds.

Bunker said the Defense Plant Corporation purchased pest moss required for processing magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for release of all their available stock to Basic Magnesium."

"The defense corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project," Bunker charged. "Thus the government bought the same plans twice."

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of basic magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

From HOUR NORWALK, CONN. APR 9 1942 CALLS GOVERNMENT CONTRACT 'SINISTER'

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Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the Government at the same price paid to private producers.

BUNKER CHARGES PROFITEERING IN DEFENSE WORK

Nevada Senator Says Graft In Last War Looks Like Petty Larceny When Compared With 1942

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

Huge Profits

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

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Fort-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farben Industrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant as sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$600,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

"The Defense Plant Corporation also agreed to pay for firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice."

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Jones Refutes Charge Made From Bunker

Denounces An Accusation By Nevada Senator

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000. x x x

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Ready Denial Made

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took

The plant, Jones would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and know-how will aggregate less than two per cent of the total cost of the plant."

Charges Of Malfeasance

Senator Bunker Asks Investigation Of RFC Subsidiary

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Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president.

Terms of Agreement

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and on estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the defense plant corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

Architect's Fees

"The defense plant corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The defense plant corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, defense plant corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Demands Probe Of Defense Agency

Senator Says Magnesium Concern Stands To Realize Huge Profits

BY ASSOCIATED PRESS
Washington, D. C., April 9.—Sen. Bunker (D., Nev.), charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp., and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

BUNKER INDICATES MALFEASANCE BY GOVERNMENT MEN

WASHINGTON, April 9 (AP)—Sen. Bunker (D-Nev.) charged in a Senate address today that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation.

Malfeasance Charged To Federal Officials

Washington, (AP) Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that

it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process. It obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

NEW CHARGES AT MANIPULATIONS IN MAGNESIUM

WASHINGTON — (AP) — Sen. Berkeley L. Bunker, D., Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corp., a subsidiary of the Reconstruction Finance Corp., and Basic Magnesium, Inc., a private concern with headquarters in Cleveland, O.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery near Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process secured under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"Magnesium Elektron, Ltd., does not own, nor does it have the license to operate this process in the United States," said Bunker.

"The American patents controlling the processes are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Profiteering in Magnesium Hit

U.S. Contracts With Nevada Co., Stir Solon's Ire

WASHINGTON, April 9 (UP)—Senator Berkeley L. Bunker, D., of Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

Nevada War Plant Setup Is Assailed

Senator Bunker Says It Is Shot Through With Corruption

WASHINGTON, April 9.—(AP)—Senator Bunker (Dem.), Nevada, charged in a senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the RFC, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Fabulous Profit Possible

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process. It obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president.

What Terms Provide

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

He said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The defense plant corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting the interests of their company."

Senator Calls Defense Plant Deal Sinister

Says Magnesium Firm Will Make 4,280 Pct. Profit And Has Nazi Link

WASHINGTON, April 9.—(U. P.)—Senator Berkeley L. Bunker, Nevada, Democrat, charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corp., a subsidiary of the Reconstruction Finance Corp., and Basic Magnesium, a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Stock to English Firm.
Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

"There is a serious question as to Magnesium Elektron's contribution of the process, since they do not own, nor do they have the license to operate, this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Co. of America and one-half of which directly or indirectly belongs to the German interests."

Senator Congratulated.
Bunker said, "If the agreement between the Defense Plant Corp. and Basic Magnesium represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

When Bunker concluded Senator John Thomas, Idaho, Democrat, congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

"Unbelievable Expenditures."
Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1. A "gift" of \$300,000 from the Defense Plant Corp. to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.
2. Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells, Jr., Cleveland, president of Basic Refractories.
3. Payment of \$28,000 by the Defense Plant Corp. to a firm of architects for using plans for 800 demountable houses—plans which previously had been used on another government project.
4. Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesite, "which they no longer have to distribute."
5. He charged that DPC is paying the traveling expenses of forty-five officials of Basic Magnesium now in England studying the production process. "At the same time DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

APR 10 1942

German Stock In Magnesium Firm Seized

Alien Property Custodian Cancels Nazi Share in Aluminum Subsidiary

Bunker and Jones Clash Over Profits

Senator Asserts Royalty Plan Is Fraud; Luscombe Plane Plant Taken Over

By Nicholas P. Gregory
WASHINGTON, April 9.—Leo T. Crowley, Alien Property Custodian, took over today the foreign stock of the Magnesium Development Corporation, of New York, organized jointly by the Aluminum Company of America and the I. G. Farbenindustrie, German dye trust, and of the Luscombe Airplane Corporation, producer of Navy training planes.

The controlling interest in the Luscombe corporation was vested in the name of Leopold H. P. Klotz, of New York, and the North American Investing Company, Inc. According to a spokesman for Mr. Crowley, the North American Investing Company's stock interest in Luscombe was held by Ernst Oberhumer, a naturalized American citizen of German birth.

The Navy Department has already taken charge of the Luscombe plant in West Trenton, N. J., and it will be reorganized so that its entire production can be devoted to naval air needs. In addition to turning out Navy trainer planes Luscombe also manufactures airplane engines and aircraft parts.

Corporation Reorganized
The Treasury Department has described Mr. Klotz as a "friendly alien," born in the principality of Lichtenstein, who applied for citizenship before the United States entered the war, but to facilitate handling of government orders Mr. Crowley announced in Trenton a reorganization of the corporate set-up, with Matthew J. Hickey Jr., of Chicago, as chairman of the board of directors; Lee N. Brutus, of Troy, Ohio, of the Waco Aircraft Corporation, as president and general manager of the company's plant and its ground schools at Dallas, Tex., and West Trenton, and J. H. Torrens, Luscombe president, as a vice-president. The former Luscombe officers and employees were asserted to be co-operating.

Today's action on the magnesium corporation, which owns vital patents, it was learned, preceded by a week the filing in New York of a consent decree against the Aluminum Company of America to end another patent-pooling agreement between an American corporation and I. G. Farbenindustrie, this one affecting the production of magnesium.

Mr. Crowley's plant seizures, moreover, were preceded on the floor of the Senate with an attack by Senator Berkeley L. Bunker, Democrat, of Nevada, on an agreement between the Reconstruction Finance Corporation's subsidiary Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, which has a large contract to build a magnesium plant at Las Vegas, Nev. Senator Bunker charged "sinister fraud" and demanded an investigation. The contract has been denounced by the Senate committee investigating the war program on the ground that Basic Magnesium will reap huge royalties from the government.

Jones Answers Bunker

Senator Bunker's charges immediately drew a sharp retort from Jesse H. Jones, Secretary of Commerce and Federal Loan Administrator, who described the Senator's statements as "unworthy of a United States Senator," and said they "cannot go unchallenged." Mr. Jones vigorously denied that any irregularities existed in the arrangement.

The Magnesium Development Corporation was organized in 1932 jointly by the Aluminum Company of America and I. G. Farbenindustrie. Mr. Crowley will order cancellation of outstanding stock held by I. G. and will issue new shares which will be turned over to his office. Statistical manuals do not show the number of shares outstanding or the proportion of I. G. interest and I. G. had an equal interest.

Some months ago Magnesium Development was attacked by Thurman Arnold, Attorney General in charge of anti-trust proceedings, as a patent monopoly. As a result of the suit brought by Mr. Arnold Magnesium Development relinquished its monopoly interest in the patents involving the manufacture of magnesium in the United States. The Dow Chemical Company, as a result of Mr. Arnold's suit, set up a large plant on the Eastern seaboard to manufacture magnesium, needed in airplane production.

Mr. Crowley's order taking over Magnesium Development stock held by I. G. was the second alien property order issued by his office, and the action in the Luscombe case was the third.

Consent Decree Filed

The first such action came two weeks ago, when the government, through a consent decree filed in New York, assured that the rubber and gasoline patents held by the Standard Oil Company of New Jersey in collaboration with the German dye trust would be made available for manufacture of these products by any competent producer in the United States without the usual patent fees. Earlier, Henry Morgenthau Jr., Secretary of the Treasury, had obtained 97 per cent of the common stock of General Aniline and Film Company, under an executive order issued by President Roosevelt creating a vested properties committee with Mr. Morgenthau as chairman.

As a result of these actions, the Federal government now controls not only General Aniline and Film and its subsidiaries manufacturing important chemicals and photographic papers but also Magnesium Development and Luscombe Aircraft, and it has a controlling interest in Axis-owned banks, travel agencies and complete supervision over \$7,000,000,000 of securities, cash, gold and other property.

Sensor Bunker, in his renewal of discussion of the magnesium situation, told the Senate:

"A pall of sadness will fall over the American people when they realize that Bataan has fallen and two British warships have been sunk. Those individuals who have taken unconscionable profits out of the war effort and who have slowed up war production are worthy of contempt."

Sensor Bunker charged that Basic Magnesium, Inc., has invested only \$50,000 in the Nevada development and will reap unbelievable profits, salary, bonus and expense payments from the government's Defense Plant Corporation. "The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people."

Sensor John Thomas, Republican, of Idaho, congratulated Senator Bunker, saying: "Those fellows shouldn't be investigated, they should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense set-up."

Mr. Jones, in his reply, said: "The magnesium plant that is being built by the government near Las Vegas, Nevada, will cost approximately \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be 1/2 cent a pound of magnesium produced, which is approximately 2 per cent of the estimated cost."

"The royalty for the ores will not exceed 1/4 cent a pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

BUREAU, CALIF. REVIEW
Cir. 2,500 APRIL 10, 1942

Jones Involved In Dispute With Senator Bunker

WASHINGTON, (UP)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

"FREE RIDE" PROMISED

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

BRITISH HOLDINGS

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost 70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

Jones Denounces Senator's Charge

Profiteering Denied in Federal Backing of Magnesium Plant

By Associated Press.
WASHINGTON, April 9.—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker (Dem.), Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

PROFITEERING LAST TIME

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"If other words the government paid the corporation for promoting its officials out of \$63,000,000. . . ."

PROFIT ALLOWED

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

UNDER 1 PER CENT

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Grass Valley, Cal., Union
17, 2,500
APRIL 10, 1942

NEVADA SOLON CHARGES FRAUD IN WAR PLANTS

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In the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Jones in Hot Reply

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JONES DENIES FRAUD CHARGE IN MAGNESIUM

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He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of their total cost."

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From
WALL ST. JOURNAL
New York, N. Y.

APR 10 1942

War profiteering charges against Basic Magnesium, Inc. precipitated a clash between Secretary of Commerce Jones and Senator Bunker. Mr. Jones termed "false and misleading" the Senator's statement that Defense Plant Corp.'s pact with the firm is "so sinister" as to indicate "malfeasance" on the part of R.F.C. officials.

APR 10, 1942
EAU CLAIRE WISC. TELEGRAM

War Profiteering Charged, Denied

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Jones Denounces Senator's Claim Regarding Fraud

Nevadan Charges DPC Enters Into 'Sinister' War Profits Deal

RFC Chairman Promptly Says Accusation False

Has to Do With \$63,000,000 Plant In Magnesia Field

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"know how" will aggregate less than two per cent of the total cost of the plant.

The operating or management fee of the plant is to one-half of one cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced.

No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operations are carefully audited as the work progresses.

APR 10, 1942
KANSAS CITY, MO. STAR

SENATOR DEIFES JONES BLAST

Bunker Presses for Complete Magnesium Probe

WASHINGTON, April 10.—Senator Berkeley L. Bunker of Nevada today demanded an early and complete public investigation of a magnesium plant being constructed in Nevada with government funds.

Bunker made his demand after Jesse Jones, RFC chairman, bitterly assailed the senator for alleging that "frauds" are being perpetrated by the Defense Plant Corporation, an RFC agency, and the Basic Magnesium corporation, builders of the plant.

Refusing to back down, the Nevada senator, who is serving the unexpired term of the late Senator Key Pittman, retorted that Jones "evidently doesn't know what is going on in his own organization."

Urging the Truman defense investigating committee to speed public hearings on the matter, Bunker said he would further answer Jones on the Senate floor Monday.

Senator Bunker on Prospecting Trip

Shown Tungsten Ore by Fluorescent Light During Cold Night on Desert (The Mining Record)

FALLON, Nev. — When U. S. Senator Berkeley L. Bunker was recently on a prospecting trip during one of the coldest nights in March to explore tungsten deposits in southern Churchill county, he spent hours facing the chill of mountain winds, admiring the glow of scheelite under fluorescent lights.

He had been persuaded by Cye Cox of Fallon, well-known Nevada prospector, to see for himself the numerous deposits of tungsten ore now greatly needed for the war efforts. In company with another prospector, W. G. Jones, also of Fallon, Senator Bunker walked from claim to claim where the scheelite crops at the surface.

The object, Cox said this week, was to show what Nevada claim owners have to offer in strategic metals which cannot be marketed because there is no mill nearby to produce the concentrates. For \$5000, Cox told the senator, a small mill could be built to handle a substantial amount of this ore. But, he added, "if the government were to build a mill, it would cost \$50,000."

The prospector told the senator that there is a wide gap between the geological survey and the bureau of mines on the one hand, and small prospectors over the country who would and could produce if they had the outlet. Present financing stoppage and present methods of exploration do not encourage prospecting and development lags, Cox declared.

FRAUD CHARGED TO JONES UNIT IN PLANT DEAL

Rap Nevada Project in Senate Speech

BY CHESLY MANLY
(Chicago Tribune Press Service)

Washington, D. C. April 9.—The Defense Plant Corporation, headed by Federal Loan Administrator Jesse H. Jones, was accused in the senate today of entering into a fraudulent and corrupt contract for the construction of a \$70,000,000 magnesium plant in Nevada. The charges were made by Sen. Berkeley L. Bunker (D., Nev.).

Bunker stated in his senate speech that "unusual political ramifications" surrounded the writing of the contract. He refused to elaborate this charge, but it was learned that Howard P. Eells Jr. of Cleveland, head of Basic Magnesium, Inc., the contractor, has testified before the Truman investigating committee that his company paid Joseph B. Keenan, also of Cleveland, a fee of \$6,000 for "special services."

Keenan was an assistant United States attorney general and patronage manager of the justice department until February, 1939, when he set up in Washington as a lawyer-lobbyist.

In a preliminary report on the Nevada magnesium project last week the Truman committee said it involved "one of the most flagrant attempts at war profiteering" that had come to the committee's attention. Bunker charged today that the D. P. C. "has entered into an agreement with Basic Magnesium, Inc., that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

"If the agreement . . . represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison," he said.

Jones Assails Charges. In a formal statement, Jones said Bunker's speech contained "false and misleading statements which it takes no courage to make under his cloak of immunity."

Jones said the magnesium plant, which is being constructed for the government, would cost \$70,000,000 and have an annual capacity of 112,000,000 pounds of metallic magnesium. "Nine separate contractors are participating in the construction," he said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision, and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

Moreover, Jones added, the D. P. C. contracted with B. M. I. for the construction of the magnesium plant "at the request of OPM [Office of Production Management, predecessor of the War Production Board] and the war department, and the government's interest is fully protected."

Washington, D. C. April 9.—The senate Thursday heard charges, promptly branded as "untrue and irresponsible" by secretary of commerce Jesse Jones, that "sinister fraud" has been perpetrated and the public and President Roosevelt by Basic Magnesium, Inc., of Cleveland, and the government's defense plant corporation. The charges voiced by Sen. Berkeley L. Bunker, Democrat of Nevada, who bitterly denounced an agreement between the corporation and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesium refinery at Las Vegas, Nev. Charging the firm stands to make a 4,280 per cent profit on investment of only \$50,000 within a year and that "extortionate salaries" are being paid, its executives, Bunker demanded "complete investigation" and refinery contracts be rewritten immediately.

Details of Finances.
According to Bunker and the report of the Truman committee, an English concern, Magnesium Elektron, Ltd., which had been licensed by the J. G. Farbenindustrie of Germany to use the German process for many to use the German process for making magnesium from magnesite ore, entered into an agreement with Basic Refractories, Inc., of Cleveland, headed by Eells, which resulted in the formation of B. M. I. Magnesium Elektron got 45 per cent of the process in B. M. I. for the use of the process in B. M. I. Refractories got 55 per cent for putting up its ore deposits in Nevada, which it had claimed from the public domain and proved at a cost of less than \$50,000. B. M. I. is to receive a fee of \$300,000 for supervising construction of 000 for the plant, on which all costs are paid the plant, on which all costs are paid by the government of the plant, and operation of the plant. B. M. I. is to receive 1/2 cent a pound on the magnesium output, or \$500,000 a year.

Under an agreement now being negotiated, B. M. I. would get \$1 a ton royalty, or \$280,000 a year, for its ore, with the D. P. C. paying all the mining, milling, and hauling costs. Should the government sell the plant to another company for nonperformance of the B. M. I. contract or for any other reason, it would have to pay B. M. I. a bonus of \$1,000,000 and double the price for the ore.

Senator Brands Agreement As 'Sinister Fraud'

WASHINGTON — (AP) — The senate yesterday heard charges promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones — that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., of Cleveland, and the government's defense plant corporation.

The charges were voiced by Sen. Berkeley L. Bunker (D-Nev.), who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev. Charging the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate" salaries are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

APR 10, 1942
TRINIDAD COLO LIGHT

SENATOR FIRES VERBAL ATTACK ON OHIO FIRMS

Magnesium Setup Results In Charges; Officials Make Quick Denial

Washington, April 10, (AP)—The senate Thursday heard charges, promptly branded as "untrue and irresponsible" by secretary of commerce Jesse Jones, that "sinister fraud" has been perpetrated and the public and President Roosevelt by Basic Magnesium, Inc., of Cleveland, and the government's defense plant corporation.

The charges voiced by Sen. Berkeley L. Bunker, Democrat of Nevada, who bitterly denounced an agreement between the corporation and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesium refinery at Las Vegas, Nev.

Charging the firm stands to make a 4,280 per cent profit on investment of only \$50,000 within a year and that "extortionate salaries" are being paid, its executives, Bunker demanded "complete investigation" and refinery contracts be rewritten immediately.

F.D.R. Asks Audit of Defense Plants' Books

Profiteering Avoidance Is Aim of Move

Loan Head Jones, Paper Publisher Are in Fisticuffs

(United Press)

WASHINGTON—President Franklin D. Roosevelt today entered a capital squabble over war profiteering charges when he authorized the War Production Board, the war and navy department and governmental agencies to inspect and audit books of defense plants as a means of avoiding the waste of federal funds.

TO HALT INFLATION

The chief executive in a quoted statement declared he desired a thorough inspection and audit be made "to prevent accumulation of unreasonable profits and implement other measures undertaken to forestall price rises and inflation."

Under Roosevelt's request, subcontractors are also liable to inspection.

Secretary of Commerce and Federal Loan Administrator Jesse H. Jones, 68, engaged in fisticuffs with Eugene Meyer, 66, publisher of the Washington Post, over Meyer's editorial saying that Jones had fallen down on the job by failing to prepare for the rubber shortage. The fisticuffs took place during a banquet.

ENGAGE IN DISPUTE

Meanwhile Federal Loan Administrator Jones and Nevada's Senator Berkeley L. Bunker, today were involved in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

This followed a demand made by Senator Bunker on the senate floor yesterday calling for an investigation of the Defense Plant Corporation as a result of its agreement with Basic Magnesium, Inc., of Cleveland, O., to build a \$63,000,000 magnesite refinery at Las Vegas, Nev.

LIST DEVELOPMENTS

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the defense plant corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate defense investigating committee, and will repeat them in the senate next week when he will give

Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas which will enable the company to make a 4,280 percent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

BRITISH INTEREST

He further charged that 45 percent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones said Bunker's charges were "unworthy of a United States senator and cannot go unchallenged." Jones charged Bunker with making false and misleading statements.

In his speech to the senate yesterday, Bunker said:

"I will not stand idly by and have a department in Washington or a group of promoters exploit the resources of my state and saddle onto its people an unsound temporary industry dedicated to the personal profits of a few greedy individuals. The manufacture of magnesium is vital to the war effort. This

plant must produce at the earliest possible date. Not only that, but it must continue in operation after the war on a sound, commercial basis.

"The unlimited resources of Nevada are at the disposal of our government in our war effort. The quicker the war is won, the more American lives will be saved. But we will not contribute one pound of metal as tribute to a group of racketeering promoters at the expense of the lives of the boys in uniform."

This article was clipped from
AMERICAN METAL MARKET
"Leading Iron, Steel and Metal Newspaper—
Recognized price and market authority"
New York City

APR 10 1942

Senator Again Attacks D.P.C. Contract With Basic Magnesium

WASHINGTON, April 9.—Senator Bunker (Dem., of Nevada), again criticized the agreement between the Defense Corporation and Basic Magnesium, Inc. of Cleveland, for the construction of a \$63,000,000 magnesite refinery at Las Vegas, Nevada.

He urged a thorough investigation of the Defense Plant Corporation and stated in part as follows:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

—Cont'd on Page 2, Col. 3

Las Vegas Age
April 10, 1942

Bunker

Sen. Bunker Charges Fraud In U. S. Magnesium Contract

Accuses Defense Plant Corporation; Jones Defends \$70,000,000 Deal

By CHESLY MANLY

The Defense Plant Corporation, headed by Federal Loan Administrator Jesse H. Jones, was accused in the Senate yesterday of entering into a fraudulent and corrupt contract for the construction of a \$70,000,000 magnesium plant in Nevada. The charges were made by Senator Berkeley L. Bunker (D.) of Nevada.

Bunker stated in his Senate speech that "unusual political ramifications" surrounded the writing of the contract.

He refused to elaborate this charge, but it was learned that Howard P. Eells Jr., of Cleveland, head of Basic Magnesium, Inc., the contractor, has testified before the Truman investigating committee that his company paid Joseph B. Keenan, also of Cleveland, a fee of \$6,000 for "special services." Keenan was an assistant United States attorney general and patronage manager of the Justice Department until February, 1939, when he set up in Washington as a lawyer-lobbyist.

Hints at Malfeasance

In a preliminary report on the Nevada magnesium project last week, the Truman committee said it involved "one of the most flagrant attempts at war profiteering" that had come to the committee's attention. Bunker charged in his speech that "the Defense Plant Corporation has entered into an agreement with Basic Magnesium, Inc. that is so sinister as to indicate that some officials in our Government are guilty of malfeasance in the performance of their duties."

"If the agreement... represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison," he said. He accused the D. P. C. and B. M. I. of perpetrating a "fraud" on the American people.

Text of Jones' Statement

Jones, in a formal statement in answer to Bunker's charges, said:

"Senator Bunker's statements made in a speech on the floor of the Senate today accusing DPC officials of wrongdoing are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue.

"The magnesium plant that is being built by the Government near Las Vegas, Nev., will cost approximately 70 million dollars, and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium.

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium Inc. for its engineering plans, supervision and 'know-how' will aggregate less than 2 per cent of the total cost of the plant.

"The operating or management fee of the plant is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost.

"The royalty for the ores will not exceed 1/4 cent per pound of

magnesium metal produced.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses.

"Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the War Department, and the Government's interest is fully protected.

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

English Firm in Agreement

According to Bunker and the report of the Truman committee, an English concern, Magnesium Elektron, Ltd., which had been licensed by the I. G. Farbenindustrie of Germany to use the German process for making magnesium from magnesite ore, entered into an agreement with Basic Refractories, Inc., of Cleveland, headed by Eells, which resulted in the formation of B.M.I.

Magnesium Elektron got 45 per cent of the stock in B.M.I. for the use of the process and Basic Refractories got 55 per cent for putting up its ore deposits in Nevada, which it had obtained from the public domain and proved at a cost of less than \$50,000. B.M.I. is to receive a fee of \$300,000 for supervising construction of the plant, on which all costs are paid by the Government.

For management and operation of the plant, B.M.I. is to receive 1/2 cent a pound on the magnesium output, or \$560,000 a year. Under an agreement now being negotiated, B.M.I. would get \$1 a ton royalty, \$280,000 a year, for its ore, with the DPC paying all the mining, milling and hauling costs.

Bonus of a Million

"Should the Government sell the plant to another company for non-performance of the B.M.I. contract or for any other reason, it would have to pay B.M.I. a bonus of \$1,000,000 and double the price for the ore.

Bunker charged that the DPC is reimbursing Basic Refractories for an expenditure of \$211,000 "in the promotion of this enterprise and the negotiation of the contract."

"The DPC is now paying traveling expenses and salaries of 45 officials of B.M.I. now in England studying the process," he said. "At the same time, the DPC is paying the salaries of English technicians who are in America promoting the interests of their company."

Bunker also charged that when an investigator for the Truman committee visited the plant he found that officials and employees had been ordered in writing not to give him any information.



TEXAN COMMANDS CORREGIDOR—At Texas A. and M. they insist that Corregidor Fortress is in very capable hands and they should know for the commander of this famous Philippine stronghold is Major George F. Moore, Aggie football immortal and former commandant of cadets at the college. About the campus he still is referred to as Old Maud, a nickname that has stuck since he kicked a football over old Ross Hall during his student days. The commandant is a native of Austin. (Associated Press Photo).

Tribute to Defenders Paid In Blast at War Profiteers

WASHINGTON, April 9 (U.P.)—Sen. Berkeley L. Bunker, of Nevada, announced the fall of Bataan in the Senate today and attacked as "worthy of contempt" individuals who, he said, had taken "unconscionable profits and slowed up war production."

Bunker obtained the floor immediately after the Senate met. "A pall of sadness will fall over the American people when they realize that Bataan has fallen and two British warships have been sunk," he said.

"Those individuals who have taken unconscionable profits out of the war effort and who have slowed up war production are worthy of contempt."

Bunker commented on the day's war developments as he started a speech in which he charged that an agreement between Defense Plant Corporation and Basic Magnesium, Inc., "is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

He referred to a grant of \$63,000,000 made by the corporation for construction of a magnesite refinery at Las Vegas, Nev., which he alleged will return Basic Magnesium, Inc., a profit of 4,280 per cent in one year.

Other members of Congress praised the Bataan defenders and joined in pledging that every effort would

be made to redeem and liberate the Philippines.

Chairman Tom Connally, of Texas, of the Senate foreign relations committee pointed out that "our forces on Bataan had been at a disadvantage" because "Japan has had inexhaustible manpower with which to reinforce its army."

"Eventually all lost ground will be recaptured and the Philippines liberated," he said.

Sen. Warren R. Austin of Vermont, assistant Republican leader, agreed that the stand of the Bataan defenders had been almost beyond human belief.

"It's a glorious chapter in the history of the world," Austin said. "I think it will inspire our troops wherever they are in realizing this handful of men kept this much superior military force at bay and made the final capture of Bataan so costly to the enemy."

"I think that Gen. Douglas MacArthur's promise to return to the Philippines will be kept and that the loss of Bataan is merely an epilant deeds and noble, undying sode—it will be recovered."

"Wherever men talk about gall struggles, they will mention Bataan," said Sen. Claude Pepper, of Florida. "Hereafter all that will be necessary to designate one as a member of the immortal legion will be to say that he was on Bataan."

Chairman Harry S. Truman, of Missouri, of the special Senate committee investigating the war program:

"There is nothing we can say here that counts. We've just got to get ready to make them pay for it. Gen. MacArthur's pledge to regain the Philippines must be made an accomplished fact."

Collusion In Defense Plant Deal Charged

Nevada Senator Demands Probe of Federal Agency

Washington, April 9 — (AP) — Senator Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard E. Eells, Jr., of Cleveland, O., is president.

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc. agreement provided the Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

SOLOM CHARGES FEDERAL FRAUD IN MAGNESIUM PLANT DEAL, SAYS 4,280 PCT. PROFIT GIVEN

Washington, April 9. — (U.P.) — The loss of Bataan was stacked up in congress today against the gains of war profiteers at home. The resulting denunciations of excess profits and lack of all-out war production were as bitter as Washington has heard in many a day.

In the senate, the Nevada Democrat, Berkeley Bunker, said the fall of Bataan would cast a pall of sadness over the American people. And he lashed out with a denunciation of individuals whom he accused of taking huge profits and slowing up war production.

Democratic Senator Pepper of Florida said the fall of Bataan should serve as a warning that what we need is full mobilization of the nation's resources. The Democratic party, predicted Pepper, would suffer losses in the November congressional elections unless this were done.

Bunker's senate speech dealt with an agreement between the defense plant corporation, which is a subsidiary of the reconstruction finance corpora-

tion, and Basic Magnesium—a private concern with headquarters at Cleveland. He charged that the company's agreement that the way for it to make a 4,200 per cent profit in a single year! And he called the agreement "so sinister" as to indicate that some officials are "guilty of malfeasance."

Other congressional comment on the fall of Bataan brought forth grief for today, hope for tomorrow. Such statements were summed up by Representative May of Kentucky:

"It's tough... but we'll be back."

Senator Truman of the special committee investigating war profits says "we've just got to make them pay for it."

To a man, the congressmen agreed that America must lighten up its defense effort... make sacrifices.

FLORIDA
DATE APR 10 1942

JONES ANGRILY DENIES 'SINISTER FRAUD' CHARGE

Betrayal of U. S. in Con- tract Alleged

WASHINGTON, April 9.—(United Press.)—Federal Loan Administrator Jesse H. Jones today angrily denied charges by Senator Bunker, (D. Nev.), that Basic Magnesium Inc., of Cleveland, and the government's Defense Plant Corporation are perpetrating a "sinister fraud" constituting a betrayal of the President and the American people.

Bunker hurled his accusation in a senate speech bitterly denouncing an agreement between the RFC subsidiary and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

He said the firm stands to make a 4280 percent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 company executives. He demanded a complete investigation and that the contract with Basic Magnesium be rewritten.

Jones Denies Charges

Jones promptly denied the charges, issuing a formal statement branding them as "untrue and irresponsible."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," he said. "(His statements are unworthy of a United States senator and cannot go unchallenged."

Calls It Betrayal

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people."

Describing Basic Magnesium organization as "startling in its ramifications," he said that 45 percent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

"Almost Unbelievable"

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money":

1. A "gift" of \$300,000 from DPC to the Cleveland firm for "supervising" the project over and above payments for salaries, wages, construction costs and profits.
2. Payment by DPC of "traveling

expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now being negotiated for payment by DPC of a \$1 per ton royalty or \$280,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton or \$560,000 annually.

APR 10 1942
LITTLE ROCK, ARK. GAZETTE

BUNKER MAKES 'SINISTER' WAR PROFIT CHARGE

Contract Defended By Jesse Jones.

(By the Associated Press.)
Washington, April 9.—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker (Dem. Nev.). Jesse Jones denounced the charge as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation, which operates under the Commerce Department headed by Jones.

Bunker said the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he said, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells Jr., of Cleveland, president of Basic Refractories, Inc. Basic Refractories transferred to

the subsidiary magnesite firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000 represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

'Government's Interest Fully Protected,' Jones Declares.

Jones said Bunker's speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 12,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

Says 45 Pct. of Stock Given to English Firm.

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany. The remaining 55 per cent of stock, he said, was held by Basic Refractories.

Last week Bunker read into the Senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

APR 10 1942
JEFF. CITY, MO. CAPITAL-NEWS

Senator Charges Agency Abetted War Plant Profiteering Scheme

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are toler-

ating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of

the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000. * * *

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, capacity of 12,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operations are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany. The remaining 55 per cent of stock, he said, was held by Basic Refractories.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R-Idaho) congratulated Bunker on his speech and expressed hope he would not drop the matter.

"Those fellows who are looting the United States treasury, Thomas declared, "should not be investigated; they should be prosecuted; they should be jailed."

BOSTON NEWS BUREAU
The only daily financial newspaper published
in New England.
Boston, Mass.

APR 10 1942

News From The Nation's Capital

The loss of Bataan was stacked up in Congress yesterday against the gains of war profiteers at home, and the resulting denunciations of excess profits and lack of all-out war production was as bitter as Washington has heard in many a day.

In the Senate, the Nevada Democrat, Berkeley Bunker, said the fall of Bataan would cast a pall of sadness over the American people. And he lashed out with a denunciation of individuals whom he accused of taking huge profits and slowing up war production.

Democratic Senator Pepper of Florida said the fall of Bataan should serve as a warning that what we need is full mobilization of the nation's resources. The Democratic party, predicted Pepper, would suffer losses in the November-Congressional elections unless this were done.

"If we don't exhibit to the country firm leadership," said he, "we not only will lose, but deserve to lose." By "we" he referred to the Administration.

Bunker's Senate speech dealt with an agreement between the Defense Plants Corp., a subsidiary of the Reconstruction Finance Corp., and Basic Magnesium—a private concern with headquarters at Cleveland. He charged that the company's agreement paved the way for it to make a 4200% profit in a single year. And he called the agreement "so sinister" as to indicate that some officials are "guilty of malfeasance."

Immediately after Bunker's speech, Secretary of Commerce Jones described the Senator's charges as "untrue" and "irresponsible." The RFC is under Jones's supervision.

The Cabinet official defended the contract and said the government's interests were fully protected. He said Bunker's statement was unworthy of a United States Senator.

EL CENTRO, CAL. PRESS
APRIL 10, 1942

Magnesium Profit Row Angers Jones

WASHINGTON, April 10. (UP)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate defense investigating committee and will repeat them in the senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating less than two per cent of the total cost.

Orlando Sentinel
FLORIDA
DATE APR 10 1942

Magnesium Deal Said Sinister Fraud By Nevada Senator

(The United Press)

WASHINGTON—Federal Loan Administrator Jesse H. Jones yesterday angrily denied charges by Senator Berkeley L. Bunker that Basic Magnesium, Inc., of Cleveland, and the government's Defense Plant Corporation are perpetrating a "sinister fraud" constituting a "betrayal of the President and the American people."

Bunker hurled his accusation in a Senate speech bitterly denouncing an agreement between the RFC subsidiary and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

He said the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 company executives. He demanded a "complete investigation" and that the contract with Basic Magnesium be rewritten.

Jones promptly denied the charges, issuing a formal statement branding them as "untrue and irresponsible."

Bunker

Nevadan Asks Investigation Of 63-Million-Dollar Deal

WASHINGTON (AP)—Senator Bunker (D., Nev.) charged in a senate address Thursday that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation, and added:

"If the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a gross violation of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

Bunker, youngest member of the senate, declared that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that defense plant corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operation of the plant annually. The total was \$2,150,000.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of basic magnesium, and said the firm stood to make a 4,200 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R-Idaho) congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted; they should be jailed."

Thomas expressed the hope that Bunker "will not drop what he is doing at this time, but will follow it up, for certainly such doings will undermine the confidence of the people of the country in the whole defense setup."

"I concur in his recommendation that the administration must act now to clean its house," said Thomas.

"I am willing to join in any non-political effort in that direction, because these evils must be corrected if our country is to endure."

"Politics must be adjourned. We must unite in a common effort to stamp out our enemies from within, because they are as dangerous as those from without."

APR 10 1942
EX. 1000000000 POST-DISPATCH

MAGNESITE DEAL CHARGES FALSE, SAYS JESSE JONES

Bunker's Assertions 'Unworthy of Senator'—Insists U. S. Interests Are Protected.

WASHINGTON, April 10 (AP)—The charge that Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm, made in the Senate yesterday by Senator Bunker (Dem.), Nevada, was quickly denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

Defense Plant Corporation is a subsidiary of Reconstruction Finance Corporation which, in turn, operates under the Department of Commerce headed by Jones as secretary.

Bunker asserted that Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance."

Jones' Statement.
Jones issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones asserted, would cost about \$70,000,000, would have an annual capacity estimated at 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the Government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contractors and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as

well as its operation are carefully audited as the work progresses."

Charges Cartel Restrictions.
Representative Anderson (Dem.) New Mexico, told the House yesterday that patent agreements between Aluminum Co. of America and the German dye trust had hampered magnesium production in the United States.

Quoting published reports that a consent decree was expected against Alcoa (Aluminum Co. of America) ending a patent agreement with I. G. Farbenindustrie, he said other companies also were involved.

He predicted the decree would show the suit was also against Dow Chemical Co., "whose sole reputation has been made as a producer of magnesium"; American Magnesium Corporation, owned by Alcoa, and Magnesium Development Corporation, patent holding company "which licenses only Dow Chemical Co. to manufacture magnesium in America."

"I think when the story of what has happened in our magnesium situation is told," he said, "we will be as grateful to Thurman Arnold (Assistant Attorney General) for developing that information as we are grateful to him for finding out why it is that German Panzer divisions now roll across Europe on synthetic rubber while we in America cannot have it."

The reference was to Arnold's testimony before the Senate Defense Investigating Committee regarding cartel agreements between Standard Oil (New Jersey) and I. G. Farben covering certain methods of producing synthetic rubber.

Jones Calls Bunker's Charge of 'Sinister' Contract False

Declares U. S. Interests Fully Protected in Magnesium Plant Deal

Secretary of Commerce Jones last night denounced as "false" a charge by Senator Bunker, Democrat, of Nevada that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm.

Mr. Jones said the "Government's interest is fully protected" in the contract with Basic Magnesium, Inc., for construction of a magnesium plant near Las Vegas, Nev. The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp. which operates under

the Commerce Department, headed by Mr. Jones.

The Secretary's statement was issued soon after Senator Bunker declared in a Senate speech that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance."

Jones' Statement.
Declaring that Senator Bunker's charges "are unworthy of a United States Senator" and that he must know they are "untrue," Mr. Jones said:

"The magnesium plant that is being built by the Government near Las Vegas, Nev., will cost approximately \$70,000,000, and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision, and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management

fee of the plant is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost."

"The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced."

Owned by Government.
"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of O. P. M. and the War Department, and the Government's interest is fully protected."

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

Meanwhile, Representative Anderson, Democrat, of New Mexico told the House that this country's magnesium production had been ham-

pered by patent agreements between the Aluminum Co. of America and the German dye trust.

He quoted published reports that a consent decree was expected against the aluminum company ending the patent agreement, and predicted the decree would show other companies involved in a restrictive licensing arrangement.

This article was clipped from
WALL STREET JOURNAL
New York City

APR 10 1942

Jones, Senator Clash Over War Role Of Basic Magnesium; RFC Head Denies Profiteering, Defends Action

By K. G. KRAMER

Staff Correspondent of The Wall Street Journal
WASHINGTON—Secretary of Commerce Jones and Senator Bunker (Rep., Neb.) clashed Thursday about the war role of Basic Magnesium, Inc.

Mr. Jones rushed to the defense of the company and the government officials who made the contract within a few hours after the Senator had made charges of war profiteering against the firm.

Senator Bunker made this charge: "The Defense Plant Corp. has entered into an agreement with the Basic Magnesium that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

To this, Secretary Jones replied:

"Senator Bunker's statements made in a speech on the floor of the Senate accusing R.F.C. officials of wrongdoing are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue. . . . Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

The Senator contended that Basic Magnesium, Inc., received "a gift of \$300,000" for supervising the construction of the plant although it had little or no construction experience. Mr. Jones asserted that nine contractors participated in the job and that the fees paid all them, including the fee to Basic Magnesium for its engineering plans, supervision and "know how," will aggregate less than 2% of the total cost of the plant.

As one of the "profiteering angles," the Senator noted that D.P.C. agreed also to pay an estimated \$560,000 for management and operation of the plant annually, after capacity pro-

duction has been reached. Mr. Jones did not dispute the figure but merely stated that the operating or management fee is to be 1/2 cent per pound of magnesium produced, which is approximately 2% of the estimated cost.

Royalty fees also were attacked by the Senator. He said D.P.C. agrees to pay \$1 a ton royalty or \$280,000 annually for the ore with all mining, milling and hauling costs to be paid by D.P.C., and in case the plant is sold, the royalty on the ore is to be doubled, with D.P.C. agreeing to purchase at this source for 10 years even though it may be purchased cheaper elsewhere. The commerce secretary answered that the royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced.

To general charges by the Senator that he "did not intend to allow the taxpayers' money to be wantonly wasted in a promotional scheme," Mr. Jones made this reply:

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

He also defended the D.P.C. officials by saying that the agency had contracted with the company for the plant at the request of O.P.M. and the War Department. He added that the government's interest is fully protected.

Mr. Jones failed to answer the Senator's demand that the contracts be rewritten. So, the end of the argument may not yet be in sight.

CLEVELAND—Officials of Basic Magnesium, Inc., after reading Senator Bunker's statement said the company had no comment to make at this time.

From
TIMES
New York

APR 10 1942

SENATOR AND JONES CLASH OVER ATTACK ON WAR PLANT DEAL

Bunker Charges DPC Condones 'Unconscionable Profits' for Nevada Magnesium Plant

UNTRUE, SAYS SECRETARY

Fees Paid to 9 Contractors, He Adds, Will Be Less Than 2% of Cost of 70 Millions

Special to THE NEW YORK TIMES.
WASHINGTON, April 9.—Senator Bunker, Democrat, of Nevada, today attacked the Defense Plant Corporation, an RFC subsidiary, charging that the terms of its contract with Basic Magnesium, Inc., for a plant at Las Vegas, Nev., meant "unconscionable profits." Secretary Jones, as head of the RFC, immediately replied that the charges were misleading and untrue, and, in effect, challenged Senator Bunker to press them without benefit of Senatorial immunity.

The Secretary of Commerce replied to Senator Bunker in a statement.

"Senator Bunker's statements accusing RFC officials of wrongdoing," he said, "are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue."

"The magnesium plant that is being built by the government near Las Vegas, Nev., will cost approximately \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

Says Fees Total Less Than 2%

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost."

"The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of O.P.M. and the War Department, and the government's interest is fully protected."

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

"Sinister," Bunker Contents

In his speech in the Senate the Nevada Senator said:

"Those individuals who have participated in unconscionable profits in America and who have slowed down our war production are worthy of the disgust and contempt of every American."

He contended that the data he presented were sufficient "to warrant the conclusion that the Defense Plant Corporation has entered into an agreement that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion," he said, "we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and the American people. Money will not win this war, and unconscionable profits will only prolong the war. The saddest betrayal in the history of man was negotiated for thirty pieces of silver."

Thomas of Idaho Joins Attack

Senator John Thomas, Republican, of Idaho, took the floor and said:

"These fellows shouldn't be investigated. They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense set-up."

"We must prosecute the fellows who are looting the Treasury."

An attack on the agreements was made in the House by Representative Anderson of New Mexico. The Senate was nominally in recess. Senator Bunker contended that Basic Magnesium, Inc., had had little construction experience.

He said it was to receive \$300,000 for supervising the construction of the plant, which, he argued, was a "gift," as the D.P.C. would be paying "all the bills, including the salaries, wages and materials, as well as construction, engineers' and contractors' fees and profits in

the amount of nearly a million dollars."

He contended that the D.P.C. had agreed "to pay the corporation for promoting its officials out of \$63,000,000, and to pay a group of Canadian distributors an \$84,000 a year bonus for the release of all their available stock of peat moss, necessary in processing, to Basic Magnesium, Inc."

"The Defense Plant Corporation," he went on, "is now paying traveling expenses and salaries of forty-five officials of Basic Magnesium, Inc., now in England studying the process."

The D.P.C. also is paying the salaries of English technicians who, he said, are in America "promoting" the interests of Magnesium Elektron, Ltd., which controlled the "English process" under a licensing agreement obtained from I. G. Farben-Industries of Germany.

Senator Bunker argued that there was no obligation on the part of the company to repay any of the money laid out by D.P.C., as no collateral stood behind the money advanced. He contended that the D.P.C. had no direct supervision over either the quality of plant construction or efficient operation.

Last month Senator Bunker asked a Senate subcommittee which is investigating the defense program to survey the magnesium project on the ground. The subcommittee in a report to the Senate last week asserted that the proposed lease appeared to be "one of the most flagrant attempts at war profiteering to come to our notice."

From
WORLD TELEGRAM
New York City

APR 10 1942

Bunker to 'Ride' Jones in Senate

By the United Press.

WASHINGTON, April 10.—Federal Loan Administrator Jones and Senator Bunker (D., Nev.) were involved today in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

Mr. Bunker charged in the Senate that an agreement between the Defense Plant Corp., a RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

Untrue, Says Jones.

Mr. Jones angrily denied the accusations, saying they were "un-

true and irresponsible" and that "the government's interests are being fully protected."

Mr. Bunker returned today with the statement that he based his criticism on testimony at Western hearings of the Senate Defense Investigating Committee, and would repeat them in the Senate next week to give Mr. Jones "a free ride."

British Stock Charged.

Mr. Bunker's specific charges were that the D.P.C. negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and the agreement was "so sinister as to indicate that

some officials of our government are guilty of malfeasance."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

Mr. Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than 2 per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected," he said.

From
WALL ST. JOURNAL
New York, N. Y.

APR 10 1942

Jones, Senator Clash Over War Role Of Basic Magnesium; RFC Head Denies Profiteering, Defends Action

By K. G. KRAMER

Staff Correspondent of The Wall Street Journal.
WASHINGTON—Secretary of Commerce Jones and Senator Bunker (Rep., Neb.) clashed Thursday about the war role of Basic Magnesium, Inc.

Mr. Jones rushed to the defense of the company and the government officials who made the contract within a few hours after the Senator had made charges of war profiteering against the firm.

Senator Bunker made this charge: "The Defense Plant Corp. has entered into an agreement with the Basic Magnesium that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties."

To this, Secretary Jones replied: "Senator Bunker's statements made in a speech on the floor of the Senate accusing R.F.C. officials of wrongdoing are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue. . . . Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

The Senator contended that Basic Magnesium, Inc., received "a gift of \$300,000" for supervising the construction of the plant although it had little or no construction experience. Mr. Jones asserted that nine contractors participated in the job and that the fees paid all them, including the fee to Basic Magnesium for its engineering plans, supervision and "know-how," will aggregate less than 2% of the total cost of the plant.

As one of the "profiteering angles," the Senator noted that D.P.C. agreed also to pay an estimated \$560,000 for management and operation of the plant annually, after capacity pro-

duction has been reached. Mr. Jones did not dispute the figure but merely stated that the operating or management fee is to be 1/2 cent per pound of magnesium produced, which is approximately 2% of the estimated cost.

Royalty fees also were attacked by the Senator. He said D.P.C. agrees to pay \$1 a ton royalty or \$280,000 annually for the ore with all mining, milling and hauling costs to be paid by D.P.C., and in case the plant is sold, the royalty on the ore is to be doubled, with D.P.C. agreeing to purchase at this source for 10 years even though it may be purchased cheaper elsewhere.

The commerce secretary answered that the royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced.

To general charges by the Senator that he "did not intend to allow the taxpayers' money to be wantonly wasted in a promotional scheme," Mr. Jones made this reply:

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

He also defended the D.P.C. officials by saying that the agency had contracted with the company for the plant at the request of O.P.M. and the War Department. He added that the government's interest is fully protected.

Mr. Jones failed to answer the Senator's demand that the contracts be rewritten. So, the end of the argument may not yet be in sight.

CLEVELAND—Officials of Basic Magnesium, Inc., after reading Senator Bunker's statement said the company had no comment to make at this time.

PARIS, NEW, TRIBUNE
9, 710
APRIL 10, 1942

RFC Head Says Bunker Attack Unwarranted

Jesse Jones, chairman of the Reconstruction Finance Corporation of which the defense plant corporation is a subsidiary, declares that the charges made against Basic Magnesium and the plant corporation by Senator Bunker of Nevada are "untrue and irresponsible," and that they are "unworthy of a United States Senator."

In a prepared statement, as quoted:

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of O.P.M. and the war department, and the government's interest is fully protected."

"Sen. Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Senator Bunker has charged in the Senate that a "sinister fraud" has been perpetrated upon the country by Basic Magnesium, Inc., and the government defense corporation. The Nevada Senator goes so far as to intimate that high government officials may be guilty of "malfeasance" of office in being party to the contract that puts up sixty-three million dollars of government funds to erect the magnesium plant in Las Vegas.

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people."

He also said that if the agreement "represents a cross section of conduct on the part of the corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering if the last war look like petty larceny in comparison."

A

Bunker

Jones Calls Bunker's Charge of 'Sinister' Contract False

Declares U. S. Interests Fully Protected in Magnesium Plant Deal

Secretary of Commerce Jones last night denounced as "false" a charge by Senator Bunker, Democrat, of Nevada that the Defense Plant Corp. had entered into a "sinister" war-profiteering contract with a Cleveland magnesium firm.

Mr. Jones said the "Government's interest is fully protected" in the contract with Basic Magnesium, Inc. for construction of a magnesium plant near Las Vegas, Nev. The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp. which operates under

the Commerce Department, headed by Mr. Jones.

The Secretary's statement was issued soon after Senator Bunker declared in a Senate speech that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance."

Jones' Statement. Declaring that Senator Bunker's charges "are unworthy of a United States Senator" and that he must know they are "untrue," Mr. Jones said:

"The magnesium plant that is being built by the Government near Las Vegas, Nev., will cost approximately \$70,000,000, and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium.

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision, and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant.

"The operating or management

fee of the plant is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost.

"The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced.

Owned by Government.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses.

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of O. P. M. and the War Department, and the Government's interest is fully protected.

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

Meanwhile, Representative Anderson, Democrat, of New Mexico told the House that this country's magnesium production had been ham-

pered by patent agreements between the Aluminum Co. of America and the German dye trust.

He quoted published reports that a consent decree was expected against the aluminum company ending the patent agreement, and predicted the decree would show other companies involved in a restrictive licensing arrangement.

From
P M
New York, N. Y.

APR 10 1942

Jones Assailed On Plant Deal

Senate Told Magnesium Company Will Make 4280 Per Cent Profit in Year

PM's Bureau

WASHINGTON, Apr. 10—Criticism of Commerce Secretary Jones is mounting in Congress.

Sen. Berkeley L. Bunker (D., Nev.), yesterday demanded an investigation of Jones's Defense Plant Corp. (DPC), asserting the contract it had signed for a \$63,000,000 magnesium plant at Las Vegas, Nev., was "so sinister as to indicate that some officials of our Government are guilty of malfeasance."

Jones promptly called the charge "untrue and irresponsible."

Directing his attack at the agency, rather than at Jones personally, Bunker told the Senate:

"If the agreement between the DPC and Basic Magnesium, Inc. represents a cross section of conduct on the part of the DPC, I can come to only one conclusion: we are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison.

Called 'Betrayal'

"The fraud that is being perpetrated by the DPC is a betrayal of the President and the American people."

Bunker's strong language was based on a contract under which he said Basic Magnesium, Inc. would realize a 4280 per cent profit in a single year on an investment of less than \$50,000.

He said the DPC had agreed to pay the company \$300,000 for supervising construction of the plant, \$280,000 a year royalty on ore taken from public-domain claims, and an estimated \$560,000 for management and operation of the plant annually. Furthermore, if the plant is turned over to another operator, the DPC will have to pay the company \$1,000,000 and royalties on the ore will be increased to \$560,000 annually.

Despite Jones's defense of his handling of the rubber situation before the Senate Truman Committee this week, the Committee is expected to submit a report soon that will not add to the Secretary's prestige.

Many members of the Committee still are convinced that Jones delayed the synthetic-rubber program for months. There is considerable criticism of him within the Committee, also, for the kind of contracts he has finally made with the rubber and oil companies.

With this reaction in Congress, President Roosevelt may soon agree further to curtail Jones's powers. Some of them may be transferred to the Board of Economic Warfare.

From
POST
New York City
APR 9 1942

Fraud on U. S. In Magnesium Charged

Washington, Apr. 9 (AP)—Sen. Bunker (D-Nev.) charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., an RFC subsidiary, and added:

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Charges Link to Farben

Bunker, youngest Senator, declared the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories Inc., of which Howard P. Eells Jr. of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims to Basic Magnesium Inc. Eells also is president of the subsidiary, Basic Magnesium Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

APR 10 1942
ST. LOUIS, MO. STAR-TIME

Senator Bunker Promises To Give Jones 'Free Ride'

WASHINGTON, April 10.—(U. P.)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, Nevada, Democrat, today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant Corp., an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate Defense Investigating Committee, and will repeat them in the senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid forty-two Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than 2 per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected."

APR 10 1942
DUBUQUE, IA. TELE-HERALD 41

JONES DENIES FRAUD CHARGE

Senator Claims Magnesium Plant Betrays U. S.

Washington — (U.P.) — Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., Friday were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started Thursday were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusation, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned Friday with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected."

Editor's Glasses Broken in Tussle

Washington—(P)—The Evening Star said Friday that Secretary of Commerce Jesse Jones Thursday night shook Eugene Meyer, editor and publisher of the Washington Post, so that Meyer's glasses fell to the floor and were shattered after Jones earlier had expressed displeasure at a Post editorial aimed at him.

The action took place at a meeting of the Alfalfa Club, one of Washington's oldest and most prominent good-fellowship organizations, which was held at the New Willard Hotel.

The Star said neither Jones nor Meyer would comment on the affair this morning but that both were "good-natured about it later in the evening" Thursday night.

At the White House President Roosevelt smilingly remarked to reporters that he had no news on the subject when they inquired at his press conference whether he had heard "anything from Jones or Meyer since the battle."

"Are you in a neutral corner?" he was asked.

He said he hoped he would not be made referee or umpire, and laughed aside a question whether he was counting time.

Giant Fraud In Magnesite Deal Denied By Sec. Jones

Nevada Senator Says Contract for Plant Means Profit Of 4,280 Percent

WASHINGTON, April 9.—(U.P.) —The Senate today heard charges —promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones — that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Sen. Berkeley L. Bunker (D., Nevada), who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of 53 million dollars for construction of a magnesite refinery at Las Vegas, Nev.

4,280 Percent Profit Charging the firm stands to make a 4,280 percent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said.

Scents Malfeasance

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Describing Basic Magnesium's organization, he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

Payments to Basic Magnesium

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Co. of America and one-half of which directly or indirectly belongs to I. G. Farbenindustrie, German chemical trust."

He asserted the contract stipulates:

1: A "gift" of \$300,000 from DPC to the Cleveland firm for "supervising" the project.

2: A provision under which DPC would pay one million dollars to the Cleveland firm if the Nevada plant should be sold to any other concern.

3: An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$280,000 annually for all ore mined. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton, or \$560,000 annually.

Jones said in his statement that "the operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 percent of the estimated cost."

Senator Calls Defense Plant Deal Sinister

Bunker Says Some Officials Indicated Guilty of Malfeasance

WASHINGTON (AP) — Senator Bunker (D-Nev.) charged in a senate address Thursday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesium refinery at Las Vegas, Nev., is so sinister as to indicate that some officials of our government are guilty of malfeasance.

He demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Betrayal of People

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4.280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate investigating committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 26 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

Asked of the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

JONES DENIES PLANT CONTRACT FRAUD CHARGE

Bunker Charges Magnesium
Plant Will Make 4,280
Percent Profit

WASHINGTON (UP)—Allen Property Custodian Leo T. Crowley has taken over foreign holdings in Magnesium Development Corp., New York, and Luscombe Airplane Corp., West Trenton, N. J.

The Magnesium Corporation holds patents covering the manufacture of magnesium, and the Luscombe company manufactures airplanes and airplane engines.

Crowley took over the holdings yesterday and appointed a new management for the airplane company. He took over Magnesium Corporation stock held in the name of L. G. Farbenindustrie, German chemical trust.

WASHINGTON (UP) — Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D. Nev., today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate Defense Investigating Committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with basic magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4.280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 basic magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of basic magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected."

FLAMING VERBAL BOMBS LIGHT UP MAGNESIUM DEAL

468
"Untrue," Jones Asserts;
"Free Ride Next Week,"
Senator Replies.

Washington, April 10.—(UP)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, (D. Nev.) today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant Corp., an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

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Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4.280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Additional Charges.
He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected."

False and Misleading.
Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker said today that he made the same statements in Nevada.

"I'll make them again," he said. "As to the figures I quoted on the vast profits Basic Magnesium, Inc., could make, they are from the testimony given before the Truman committee when it was holding hearings out there."

"Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the senate next week."

Magnesium Co. Deal Flayed

468
Contract With U. S.
Permits Profiteering,
Says Senator Bunker

WASHINGTON (AP) — A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate Thursday by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce department headed by Jones.

Terms Called Sinister

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesium refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come only to one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Rights Transferred

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

THE DAY IN WASHINGTON

Special to THE NEW YORK TIMES.

WASHINGTON, April 9 — President Roosevelt conferred with Secretary Stimson, John G. Winant, Ambassador to Great Britain; David Dasso, the Peruvian Minister of Finance, and Gaston Henry-Hays, the Ambassador of France. He bestowed upon Admiral Harold R. Stark the Navy Gold Star and received the annual "Buddy poppy" from a delegation representing the Veterans of Foreign Wars.

The Senate heard Senator Bunker criticize the government contract with Basic Magnesium, Inc., received the Murray bill to establish a United States Rubber Authority and authorize the Federal Works Agency to operate synthetic rubber plants, confirmed the renomination of Howard L. Vickery to the Maritime Commission and recessed at 1:25 P. M. until noon on Monday.

The House received the Cartwright bill to authorize an additional \$100,000,000 for defense access roads, received the Heiter bill for creation of a United States Rubber Authority and adjourned at 1 P. M. until noon on Monday. The Ways and Means Committee's tax bill hearings continued.

Jones Bristles at Magnesium Fraud Charge

Bunker Asks Probe;
Promises 'Free Ride'
for Head of RFC

Washington, April 10 (UP)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker (dem. Nev.) today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Bunker charged on the senate floor Thursday that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., Cleveland, produced the fraud and demanded a "complete investigation."

Jones angrily denied the accusations, saying they were "untrue and irresponsible" and "the government's interests are being fully protected."

Bunker said today he based his criticism on testimony at western hearings of the senate defense investigating committee, and will repeat them in the senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63 million dollar plant at Las Vegas, Nev., which will enable the company to make a 4.280 per cent profit on an investment of 50 thousand dollars.

Jones replied the Nevada plant will cost 70 million dollars and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

Magnesium Charge Untrue, Says Jones

Washington, D. C., April 9 (U.P.). — Secretary of Commerce Jesse Jones today angrily described as "untrue" and "irresponsible" charges made against the Defense Plant Corp. by Senator Berkeley L. Bunker (D-Nev.).

Bunker charged in the Senate that a DPC agreement with Basic Magnesium, Inc., is "so sinister" as to suggest that some officials are "guilty of malfeasance." DPC is one of the several lending agencies operated by Jones.

In a formal statement, Jones said that Bunker's remarks were "unworthy of a United States Senator." The Senator's speech, he added, "contains false and misleading statements which it takes no courage to make under his cloak of immunity."

No irregularities have been discovered in the construction of the magnesium plant, he said.

Bunker

MAGNESIUM PROJECT IS DENOUNCED

468
Nevada Senator Says
Corrupt Doings at
Las Vegas

WASHINGTON, April 9 (AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker of Nevada and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

CHARGES "SINISTER" DOINGS

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented a "cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Ellis, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

Small Assets or Millions
"The claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Ellis' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000."
"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Jones Defends Project

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

Jesse Jones Defends Magnesium Project

Washington, April 9.—(UP)—Secretary of Commerce Jesse Jones today angrily described as "untrue" and "irresponsible" charges made against the Defense Plant Corporation by Sen. Berkeley L. Bunker, D., Nev.

Bunker charged in the senate that a DPC agreement with Basic Magnesium, Inc. is "so sinister" as to suggest that some officials are "guilty of malfeasance." DPC is a subsidiary of the Reconstruction Finance Corporation and one of the several lending agencies operated by Jones.

Extortionate Salaries Alleged

Bunker, discussing what he termed the "international angle" of basic magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55 per cent of stock, he said, was held by basic refractories. Last week Bunker read into the Senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas of Idaho congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

PLANT DEAL CHARGE IS DENIED BY JONES

468
By RICHARD L. HARKNESS

Inquirer Washington Bureau

WASHINGTON, April 9.—The charge of Senator Berkeley L. Bunker (D., Nev.) in the Senate today that Jesse Jones' Defense Plant Corp. was guilty of "fraud" in the financing of a big magnesium plant brought a stinging reply from the Secretary of Commerce tonight.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones declared in a formal statement. "The Senator must know that these statements are untrue."

'SINISTER' CONTRACT

Jones' anger was aroused by Bunker's assertion that the Federal contract to finance a \$63,000,000 magnesite refinery at Las Vegas, Nev., for operation by Basic Magnesium, Inc., was "so sinister as to indicate that some officials of our Government are guilty of malfeasance."

Bunker demanded an investigation of the Defense Plant Corp., of which Jones is chairman, and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

'BETRAYAL OF PEOPLE'

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Bunker repeated his charge that the financing contract was drawn to permit Basic Magnesium, Inc., to earn 4280 percent profit from an initial investment of less than \$50,000 in the project.

Jones replied that the fees for construction and supervision "will aggregate less than 2 percent of the total cost of the plant."

JONES DEFENDS BASIC MAGNESIUM

468
Raps Senator on War Profiteering Charges

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker (D., Nev.), and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

Jones issued a statement saying Bunker's speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

Owned by U. S., Jones Says

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with its construction as well as its operation are carefully audited as the work progresses."

Bunker said Basic Magnesium was a child of the "fertile promotional brain" of Howard P. Ellis, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

"Basic Refractories claimed to have expended in promotion of this enterprise and the negotiation of the contract, \$211,000. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Bunker hurled his accusation in a Senate speech bitterly denouncing an agreement between the RFC subsidiary and Basic Magnesium for a Government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

He said the firm stands to make a 4280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 company executives. He demanded a "complete investigation" and that the contract with Basic Magnesium be rewritten.

Jones branded the charges as "untrue and irresponsible."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," he said. "His statements are unworthy of a United States Senator and cannot go unchallenged."

Jones Denounces Senator's Charge Of Profiteering by Magnesium Firm

Washington, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Berkeley L. Bunker (D., Nev.), and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite re-

finery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented a "cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Ellis, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

Bunker Denounces Government Pad With Mining Firm

Washington, April 9.—(UP)—Sen. Berkeley L. Bunker, D., Nev., charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

BUNKER RILES JONES IN MAGNESIUM PROBE

468
Senator's Charges Untrue,
Says Loan Administrator

WASHINGTON, April 9.—(UP)—Federal Loan Administrator Jesse H. Jones Thursday angrily denied charges by Senator Berkeley L. Bunker (D., Nev.) that Basic Magnesium, Inc., of Cleveland, and the Government's Defense Plant Corporation are perpetrating a "sinister fraud" constituting "a betrayal of the President and the American people."

Bunker hurled his accusation in a Senate speech bitterly denouncing an agreement between the RFC subsidiary and Basic Magnesium for a Government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

He said the firm stands to make a 4280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 company executives. He demanded a "complete investigation" and that the contract with Basic Magnesium be rewritten.

Jones branded the charges as "untrue and irresponsible."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," he said. "His statements are unworthy of a United States Senator and cannot go unchallenged."

Jones Denies Accusations of Senator

468
Charges of Fraud
in Magnesium Deal
Are Branded Untrue
by Commerce Chief

By the United Press

WASHINGTON, April 9.—The Senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the Government's Defense Plant Corp.

The charges were voiced by Senator Berkeley L. Bunker, Nevada Democrat, who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a Government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Demands Investigation
Charging that the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "His statements are unworthy of a United States Senator and cannot go unchallenged."

Hints at Malfeasance

Bunker described the agreement as "so sinister as to indicate that some officials of our Government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corp. and Basic Magnesium is a betrayal of the President and the American people."

Describing Basic Magnesium's organization as "startling in its ramifications," Bunker said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

To Cost \$70,000,000
Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than 2 per cent of the total cost. . . ."

"The operating or management fee of the plant," he said, "is to be one-half cent a pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent a pound of magnesium metal produced."

"The plant is wholly owned by the Government and will be operated for its account."

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPFM and the War Department and the Government's interest is fully protected."

Investigation Called By Sen. Bunker Of Defense Plant

468
WASHINGTON, D. C., April 9 (Special)—Senator Berkeley L. Bunker called today for an investigation of the Defense Plant Corporation as a result of its agreement with Basic Magnesium, Inc., of Cleveland, Ohio, to build a \$63,000,000 magnesite refinery at Las Vegas.

"The agreement is so sinister as to indicate certain officials of the government are guilty of malfeasance," said Mr. Bunker, who brought the Truman committee of the Senate to Las Vegas in March to investigate the Las Vegas situation.

It was Bunker's second address in the senate on the ramifications of Basic Magnesium, Inc., which he said, projected the company "into the picture of international intrigue, involving English and German interests."

Previously he charged that the Basic Magnesium, Inc., stood a chance of making \$2,150,000 profit in one year, or 4,280 percent. The Truman committee reported the company was involved in a "flagrant attempt at war profiteering," and said it would continue its investigations.

Loan Chief Fights Fraud Charge In Magnesium Firm Contract

By The United Press
WASHINGTON, April 10.—Federal Loan Administrator Jesse Jones and Senator Berkeley L. Bunker (D., Nev.) today were involved in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments which started yesterday were these:
1—Senator Bunker charged an agreement between the Defense Plant Corp., an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland produced the fraud and demanded a "complete investigation."

2—Mr. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the Government's interests are being fully protected."

3—Senator Bunker returned today with the statement that he based his criticism on testimony at



Senator Bunker

continued, "since they do not own, nor do they have the license to operate this process in the United States."

4—A provision under which DPC would pay one million dollars to the Cleveland firm if the Nevada plant should be sold to any other concern.

5—An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$280,000 annually for all ore mined. It also would require DPC to pay all

payments for salaries, wages, construction costs and profits.

6—The Government's interest is fully protected.

7—Mr. Jones added that Senator Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

8—Mr. Bunker said today that he made the same statements in Nevada.

9—"I'll make them again," he said. "As to the figures I quoted on the vast profits Basic Magnesium, Inc. could make, they are from the testimony given before the Truman Committee when it was holding hearings out there."

10—"Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the Senate next week."

11—Senator Bunker charged an agreement between the Defense Plant Corp., an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland produced the fraud and demanded a "complete investigation."

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Jones Denies Charge of Magnesium Plant Fraud

Beckley Field, Cal., California
Ch. 35873
APRIL 10, 1942

LOAN CHIEF CLAIMS PROJECT IS HONEST

WASHINGTON, April 10. (U. P.)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker (D-Nev.) today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the Government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings on the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

4. Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

5. He further charged that 45 per cent of Basic Magnesium's initial

stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

6. Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than 2 per cent of the total cost."

7. "No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker . . . the plant is wholly owned by the Government and will be operated for its account . . . ate next week."

8. "I'll make them again," he said. "As to the figures I quoted on the vast profits Basic Magnesium, Inc. could make, they are from the testimony given before the Truman Committee when it was holding hearings out there."

9. "Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the Senate next week."

Jesse Jones Denounces Charges Made by Nevada Senator

WASHINGTON, April 10. (U. P.)—Sen. Berkeley Bunker's charge that the Defense Plant corporation had entered into a "sinister" war profiteering contract over the construction of a magnesium plant in southern Nevada was denounced promptly by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant corporation is a subsidiary of the Reconstruction Finance corporation which, in turn, operates under the commerce department headed by Jones.

The Nevada senator declared that the Defense Plant corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Senator Thomas of Idaho congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

HANFORD, CALIF. SENTINEL
Ch. 1143
APRIL 10, 1942

Bunker Denounces Government Pact With Mining Firm

Washington, April 10.—(U. P.)—Sen. Berkeley L. Bunker, D., Nev., charged in the senate yesterday that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Washington, April 10.—(U. P.)—Secretary of Commerce Jesse Jones angrily described as "untrue" and "irresponsible" charges made against the Defense Plant Corporation by Sen. Berkeley L. Bunker, D., Nev.

Bunker charged in the senate that a DPC agreement with Basic Magnesium, Inc., is "so sinister" as to suggest that some officials are "guilty of malfeasance." DPC is a subsidiary of the Reconstruction Finance Corporation and one of the several lending agencies operated by Jones.

LONG BEACH, CAL. PRESS
TELEGRAM, Ch. 43,068, Sun. Edition
APRIL 10, 1942

Big Magnesium Plant Involved in Dispute

WASHINGTON, April 10.—(U. P.)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker (Democrat, Nevada) today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the Government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

4. Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

5. He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

6. Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than 2 per cent of the total cost."

7. "No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The Government's interest is fully protected."

8. "I'll make them again," he said. "As to the figures I quoted on the vast profits Basic Magnesium, Inc. could make, they are from the testimony given before the Truman Committee when it was holding hearings out there."

9. "Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the Senate next week."

Seattle (Wn Post-Intelligence)
April 10, 1942

Profiteering Accord Laid to U. S. Agency

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker, Democrat, of Nevada, and was promptly denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a sixty-three million-dollar magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Ellis Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on thirty-six mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving sixty-three million dollars to build a refinery at Las Vegas."

NEVADA FRAUD DENIED BY JONES

WASHINGTON, April 9 (U. P.)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Senator Berkeley L. Bunker, Democrat, Nevada, who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging that firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

SANTA ANITA, CALIF. PRESS DEMOCRAT
Ch. 934
APRIL 10, 1942

Magnesium Deal Corrupts R. F. C. Agency, Says Solon

WASHINGTON, April 9.—(AP)—Senator Bunker, Democrat, Nevada, charged in a Senate address yesterday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

Bunker demanded a thorough investigation of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, and added: "If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc. represents a cross-section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Betrayal, Says Bunker

"The fraud that is being perpetrated by the Defense Plant Corporation is a betrayal of the President and the American people." Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared today that the ramifications of the transaction were so far-reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

English Firm Big Owner

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, Ohio, is president. Basic Refractories obtained its interest by transferring its right in 36 public-domain mining claims in Nye County, Nevada, to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., nor the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Million Payment Agreed On

Bunker said terms of the Defense Plant Corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$290,000 a year royalty on ore taken from the public-domain claims, and an estimated \$560,000 for management and operating of

the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for ten years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public-domain claims, Bunker asserted.

The senator said the Defense Plant Corporation agreed to pay all the bills, including salaries, wages and materials and contractors' fees and certain expenses incurred before the culmination of the agreement.

"Prior to the formation of Basic Magnesium, Inc. and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

Trips East Mentioned

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

Bunker said the Defense Plant Corporation purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant, plans which had previously been used on another government project," Bunker charged.

"Thus, the government bought the same plans twice."

Salaries Held 'Extortionate'

"The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, Inc., now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium, Inc., whose salaries ranged from \$3,000 to \$36,000 a year and termed the salaries "extortionate."

Asked off the floor what arrangements had been made for disposal of the refined product, Bunker said it would be sold to the government at the same price paid to private producers.

Jones Denies Charges Made by Sen. Bunker

Basic Magnesium, Inc., 'Fraud' Scoffed at by Commerce Chief.

WASHINGTON, April 9.—(AP)—The Senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Senator Berkeley L. Bunker (Democrat, Nevada), who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the firm stands to make a 4,280-per-cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"False," Says RFC Czar

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "His statements are unworthy of a United States Senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people."

He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

U. S. License Lacking

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than 2 per cent of the total cost."

"The operating or management fee of the plant," he said, "is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

APR 10 1942

JESSE JONES, SENATOR CLASH OVER CONTRACT

False Statements Laid
to Nevadan Over
Magnesium Story

WASHINGTON, April 9.—(Special)—Sen. Berkeley L. Bunker (D) of Nevada and Federal Loan Administrator Jesse Jones clashed violently today over charges by the senator that the Defense Plant corp. has made a "scandalous" contract for magnesite production.

After Bunker had said the DPC contract with Basic Magnesium, Inc. of Cleveland, O., for a \$70,000,000 magnesite project near Las Vegas, Nev., would net that company a profit of 4,280 per cent in one year on a \$50,000 investment plus other unwarranted allowances, Jones bluntly replied:

"Sen. Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

ANSWER MONDAY

Bunker immediately shot back: "Everything I said was brought out in a report of the Truman committee of the senate following an investigation on the ground. As for Mr. Jones' insinuation that I took refuge in immunity given to speeches made on the senate floor, I recall that I made similar charges in Nevada. I will answer Mr. Jones on the senate floor Monday."

Bunker in demanding a congressional investigation of the DPC had told the senate:

"The data warrants the conclusion that the Defense Plant corp. has entered into an agreement with the Basic Magnesium, Inc., that is so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

"The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the defense plant corporation, which I demand."

TRACES ORGANIZATION

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells Jr. of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant corp. is giving \$63,000,000 to build a refinery at Las Vegas."

Jones said nine separate contractors were participating in the magnesite project, and that "the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

NEVADAN HITS CONTRACT FOR L. V. PROJECT

Assertions Declared
False by Chief
Of RFC

WASHINGTON, April 9, (AP)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's defense plant corporation.

The charges were voiced by Sen. Berkeley L. Bunker, D., Nev., who bitterly denounced an agreement between the corporation, and RFC subsidiary, and Basic Magnesium or a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a complete investigation and that refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "His statements are unworthy of a United States senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people."

He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own,

nor do they have the license to operate this process in the United States.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1—A "gift" of \$300,000 from the Defense Plant Corporation to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2—Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells Jr., Cleveland, president of Basic Refractories.

3—Payment of \$28,000 by the Defense Plant Corporation to a firm of architects, for using plans for 800 demountable houses—plans which had previously been used on another government project.

4—Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesite, "which they no longer have to distribute."

5—He charged that the DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

When Bunker concluded, Sen. John Thomas, D., Ida., congratulated him.

"Those fellows shouldn't be investigated," he said, "they should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Makes Challenge

In his formal statement, Jones said:

"Sen. Bunker's statements made in a speech on the floor of the senate today, accusing RFC officials of wrong-doing, are unworthy of a United States senator and cannot go unchallenged. The senator must know these statements are untrue."

"The magnesite plant that is being built by the government near Las Vegas, Nev., will cost approximately \$70,000,000 and have an estimated capacity of 112,000,000 pounds of metallic magnesite."

"Nine separate contractors are participating in the construction. The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how,' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesite produced, which is approximately two per cent of the estimated cost."

"The royalty for the ores will not exceed one-quarter cent per pound of magnesite metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Sen. Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the war department, and the government's interest is fully protected."

"Sen. Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Pact on Magnesium Hit; Jones Denies Charges

Senator Bunker Declares President and Public Victimized With Nevada Refinery

WASHINGTON, April 9. (U.P.)—The Senate today heard charges—promptly branded as “untrue and irresponsible” by Secretary of Commerce Jesse Jones—that a “sinister fraud” has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Senator Bunker (D.) Nev., who denounced an agreement between the corporation, an R.F.C. subsidiary, and Basic Magnesium for a government “grant” of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the concern stands to make a 4280 per cent profit within a year on an investment of only \$50,000 and that “extortionate salaries” are being paid to 42 of its executives, Bunker demanded a complete investigation and that the refinery contracts be rewritten immediately.

FORMAL DENIAL
Jones, who operates D.P.C. and other R.F.C. lending agencies, issued a formal statement denying Bunker's charges.

“Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity,” Jones said. “His statements are unworthy of a United States Senator and cannot go unchallenged.”

Bunker described the agreement as “so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties,” and said:

“The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people.”

ONLY ONE CONCLUSION
He said that if the agreement “represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering

a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a \$4,280 per cent profit on an investment of \$50,000. He said “extortionate salaries” are being paid 42 basic magnesium executives and that the agreement was “so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties.”

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating “less than two per cent of the total cost.”

“No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected.”

of the last war look like petty larceny in comparison.”

Describing Basic Magnesium's organization as “startling in its ramifications,” he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British concern, he said, operates under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

‘SERIOUS QUESTION’
“There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process,” he continued, “since they do not own, nor do they have the license to operate this process in the United States.”

“The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Co. of America and one-half of which directly or indirectly belongs to the German interests.”

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by “nine separate contractors,” and that all construction fees will “aggregate less than 2 per cent of the total cost.”

MANAGEMENT FEE
“The operating or management fee of the plant,” he said, is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced.

“No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker.”

He warned administration leaders that if firm leadership is not forthcoming, they will lose the next congressional election to the Republicans.

Pepper did not specify what sacrifices should be called for, but a further tightening of gasoline

Jesse Jones Unlimbers Fists on Editor

Fistic Battle Is Fought With Gene Meyer of the Post

WASHINGTON, Apr. 10 (U.P.)—The capital had its own side-show to the war today—fisticuffs between Secretary of Commerce Jesse Jones and Eugene Meyer, publisher of the Washington Post.

The secretary, it was reported, didn't like an editorial published in the Post blaming him for the country's lack of synthetic rubber facilities.

Reports Differ

Reports differed on whether any blows were landed, although it was agreed that there were several swings.

The known casualty list included Meyer's glasses and any sensitive ears there may have been among the spectators, who reportedly were treated to an exchange of epithets highlighted by some of the better Texas cuss-words.

The incident took place last night at a banquet of the exclusive Alfalfa Club at the Willard Hotel. Those present included two supreme court justices, several senators, a presidential secretary and a goodly representation of other capital big-wigs.

Not Easy

One member of the audience, who reportedly was instrumental in separating the Messrs. Jones and Meyer, refused to be quoted by name but said: “I wouldn't say it was easy” to separate them.

“One was a little bit,” he said when asked if either was mugged up.

How long did it last?
“I don't know,” he replied, “but you know how it is when such things happen—seconds seem like minutes.”

Asked if it was true that all of Meyer's swings missed as most reports had it, he commented: “That's a lot of baloney.” He refused to add any details.

“I didn't have my smeller on,” he quipped when he was asked if any blood had been spilled.

Editorial Quoted

The editorial which aroused the Jonesian wrath was printed yesterday. It said, among other things:

“The plain truth is that Mr. Jones fell down rather badly on the job of acquiring and producing sufficient rubber to meet an emergency which we should have foreseen and prepared for with feverish haste. The chief reason for his failure is a boundless ambition for power that has led to his taking on more jobs than he can successfully manage.”

“The proof of an official's worth to his country lies in his ability to meet and conquer the kind of obstacles of which Mr. Jones complains. Blaming the other fellow is a confession of defeat—not a mark of merit.”

Capital social circles allege that there has been no particular love lost between Jones and Meyer for several years. Meyer, 68, is a former federal reserve board member who was Jones' predecessor as chairman of the board of the Reconstruction Finance Corporation. Jones, also 68, like Meyer is the publisher of a newspaper—the Houston Chronicle.

APR 10, 1942
COCK, REER, GAZETTE

Fraud Claim Is Made Over War Factory

Jesse Jones And Senator Bunker Disagree Over Magnesium Contracts

WASHINGTON—(U.P.)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D. Nev., today were involved in dispute whether a magnesium plant contract perpetrated a “sinister fraud” constituting a “betrayal of the president and the American people.”

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant corporation, an R.F.C. subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a “complete investigation.”

2. Jones angrily denied the accusations, saying they were “untrue and irresponsible” and that “the government's interests are being fully protected.”

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones “a free ride.”

Bunker's specific charges were that the D.P.C. negotiated a contract with Basic Magnesium for

APR 10, 1942
GRAND JUNCTION, COLO. SEN

Washington, April 10. (U.P.)—Senator Bunker (D-Nev.) charged in a senate address that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., “is so sinister as to indicate that some officials of our government are guilty of malfeasance.”

APR 10, 1942
SMITH ARE AMERICAN

Defense Agency Assailed for “Sinister” Contract

WASHINGTON, April 9.—(U.P.)—A charge that the Defense Plant corporation had entered into a “sinister” war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker, Democrat of Nevada, and promptly was denounced by Jesse Jones as “false” and “unworthy of a United States senator.”

The Defense Plant corporation is a subsidiary of the Reconstruction Finance corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms “so sinister as to indicate that some officials in our government are guilty of malfeasance.”

Corruption Is Charged

If the agreement, he added, represented “a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison.”

Bunker said Basic Magnesium, Inc., was a child of the “fertile promotional brain” of Howard P. Eells Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 38 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

Claims “Sole Assets”

“These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant corporation is giving \$63,000,000 to build a refinery at Las Vegas.”

“Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant corporation to Basic Refractories.”

“In other words the government paid the corporation for promoting its officials out of \$63,000,000.”

Profit Provided for

“And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit.”

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained “false and misleading statements” which Bunker “must know” are untrue and which look “no courage to make under his cloak of immunity.”

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the war department, and “the government's interest is fully protected.”

“Nine separate contractors are participating in the construction,” Jones said. “The fees to be paid these nine contracting and encl-

neering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and ‘know how’ will aggregate less than 2 per cent of the total cost of the plant.

“The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced.

“No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operations are carefully audited as the work progresses.”

supply in the east and the north-west Pacific seems apparent. The War Production Board has curtailed deliveries to filling stations to two-thirds the mid-winter average. The new order becomes effective next week, and individual filling stations will distribute their quotas as they see fit.

B
Bunker

Charges Fraud And Corruption Over Magnesium

Senate Told That Govern- ment Officials Are Guilty Of Malfeasance.

WASHINGTON, April 9 (AP)—Senator Bunker (D-Nev.) charged in a senate address today that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is as sinister as to indicate that some officials of our government are guilty of malfeasance."

Bunker demanded a senate investigation of the defense plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

Charges Fraud
"If the agreement between the defense plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the defense plant corporation is a betrayal of the president and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the senate, declared today that the ramifications of transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesium refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock was owned by Basic Refractories, Inc., of which Howard P. Eells, Jr., of Cleveland, O., is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye County, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

Vast Sums For Little
"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas," Bunker said.

"Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the defense plant corporation-Basic Magnesium, Inc., agreement provided that Defense Plant Corporation would pay the company \$1,000,000 in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims; and an estimated \$500,000 for management and operating of the plant annually. The total was \$3,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for 10 years the government would be required to pay a royalty of \$500,000, instead of \$280,000, annually, for ore taken from the public domain claims, Bunker asserted.

He said the Defense Plant Corporation agreed to pay all the bills including salaries, wages and materials and contractors' fees and certain expenses incurred prior to the culmination of the agreement.

WASHINGTON BITTER OVER MORE REPORTS OF EXCESSIVE PROFITS

(BY UNITED PRESS)

The loss of Bataan was stacked up in congress today against the gains of war profiteers at home. And the resulting denunciations of excess profits and lack of all-out war production was as bitter as Washington has heard in many a day.

In the senate, the Nevada Democrat, Berkeley Bunker, said the fall of Bataan would cast a pall of sadness over the American people. And he lashed out with a denunciation of individuals whom he accused of taking huge profits and slowing up war production, and Democratic Senator Pepper of Florida said the fall of Bataan should serve as a warning that what we need is full mobilization of the nation's resources. The Democratic party, predicted Pepper, would suffer losses in the November congressional elections unless this were done.

"If we don't exhibit to the country firm leadership," said he, "we not only will lose, but deserve to lose." By "we"—he referred to the administration.

Bunker's senate speech dealt

with an agreement between the Defense Plants corporation, which is a subsidiary of the Reconstruction Finance Corporation, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

"If the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating admitted investment of less than \$50,000.

Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Other congressional comment of the fall of Bataan brought forth grief for today, hope for tomorrow. Such statements were summed up by Representative May of Kentucky:

"It's tough . . . but we'll be back."

Senator Truman of the special committee investigating war profits says "We've just got to make them pay for it."

But rationing of gasoline may not be among those sacrifices for some time yet. The war production board has issued an order reducing the delivery of gasoline to filling stations in 17 eastern states, the District of Columbia and Washington and Oregon. Oil Coordinator Ickes says the order may make it unnecessary to institute direct rationing—it is the one-third reduction works out satisfactorily.

War Plant Dealing Hit

WASHINGTON (AP)—Senator Bunker (D. Nev.) charged in a senate address Thursday that an agreement between the Defense Plant Corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance Corporation, and added:

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Previously, the special senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

GOVERNMENT AGENCY IS CALLED CORRUPT

MAGNESIUM FIRM, DEFENSE PLANT CORPORATION ARE ACCUSED

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"The fraud that is being perpetrated by the defense plant corporation is a betrayal of the president and the American people."

Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 percent in one year on an

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Jones And Bunker Engage In Debate

Nevada Senator Promises
To Repeat Charges In
Senate Next Week

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TIMES
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SENATOR BUNKER, JESSE JONES IN HOT ARGUMENT

Loan Administrator Con-
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Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

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Senator Bunker . . . the plant is wholly owned by the government and will be operated for its account . . . the government's interests are fully protected."

Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under a cloak of immunities."

War Profiteering Charged in Senate

Bunker Hits Nevada
Magnesium Plant Deal

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The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp. which in turn operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic

Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance."

Bunker said Basic Magnesium, Inc. was a child of the "fertile promotional brain" of Howard P. Eells Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

Jones Denies Charges
When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue."

The plant, Jones declared, would cost about \$70,000,000, have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the Government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

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'Sinister War Profiteering' Is Charged To Federal Agency

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If the agreement, he added, represented "a cross section of con-

duct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

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"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000 . . . And finally, remember this! The product of the plant is not to be furnished to the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

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Jones said, "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany."

The remaining 55 per cent of stock, he said, was held by Basic Refractories. Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$60,000.

Senator Thomas (R-Ida.) congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

"If the agreement, he added, represented 'a cross section of conduct on the part of the Defense Plant corporation, I can come to

only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

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DISPUTE OVER PLANT CONTRACT

Controversy Whether Magnesium Plant Contract Perpetrated A Fraud.

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Magnesium Plant Contract Drawing Fire

Nevada Senator Has Raised Issue; Said Profits High

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By The Associated Press

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pany to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

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Developments, which started yesterday, were these:

Senator Bunker Hurls New Charges Against Basic Magnesium, Inc.

WASHINGTON, D. C.—(Special)—Senator Berkeley L. Bunker called today for an investigation of the Defense Plant Corporation as a result of its agreement with Basic Magnesium, Inc., of Cleveland, Ohio, to build a \$63,000,000 magnesite refinery at Las Vegas.

"The agreement is so sinister as to indicate certain officials of the government are guilty of malfeasance," said Bunker, who brought the Truman Committee of the Senate to Las Vegas in March to investigate the Las Vegas situation.

It was Bunker's second address in the Senate on the ramifications of Basic Magnesium, Inc., which he said, projected the company "into the picture of international intrigue, involving English and German interests."

Previously he charged that Basic Magnesium, Inc., stood a chance of making \$2,140,000 profit in one year, or 4,280 per cent. The Truman Committee reported the company was involved in a "flagrant attempt at war profiteering," and said it would continue its investigations.

In the Senator's address today, he declared that the magnesium plant must continue in operation after the war. He stated, "I demand that immediate and permanent operation of the project be insured."

The text of the Senator's address to the Senate follows:

Mr. President. On Friday of last week I promised to tie together for the Senate the ends of one of the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee—the case of Basic Magnesium, Inc., an industrial corporation of Cleveland, Ohio, operating in Nevada, which stands to make a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

On Thursday of last week a subcommittee of the senate committee investigating war industries reported, after conducting hearings at my request at Las Vegas in March, that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering" to come to its notice.

On the following day I read into the record a list of extortionate salaries paid to 42 officials of Basic Magnesium, Inc., out of public funds—salaries as high as \$36,000 a year; salaries of 42 men totaling nearly \$400,000 annually; salaries coming out of the \$63,000,000 the Defense Plant Corporation set aside for the construction of a magnesite refinery at Las Vegas, which it has agreed to lease to Basic Magnesium, Inc.

I shall address the Senate membership later on several phases of this matter which have not yet been brought to their attention. Today I shall lay before this body additional data to warrant the conclusion that the Defense Plant Corporation has entered into an agreement with the Basic Magnesium that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties.

I shall also outline the startling ramifications that project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests. If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that would make petty larceny by comparison.

No one realizes more than the members of the United States Senate the incalculable load that is being carried by the President in the prosecution of this war. He has the confidence of the American people. He must have the loyalty of the governmental departments. The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and of the American people. Money will not win this war, and unconscionable profits will only prolong the war. The saddest betrayal in the history of man was negotiated for thirty pieces of silver.

Now to tie the ends of this amazing scandal together, which I shall do as briefly and graphically as possible.

Basic Magnesium, Inc., came into being in 1941, a child of the fertile promotional brain of Howard P. Eells, Jr., of Cleveland, Ohio, president of Basic Refractories, Inc. This corporation had obtained development rights on 36 mining claims on the public domain in Nye County, Nevada.

These claims were transferred by Basic Refractories, Inc., to Basic Magnesium, Inc., a subsidiary, also headed by Eells, in return for 55 per cent of the stock in Basic Magnesium, Inc. These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$64,000,000 to build a refinery at Las Vegas.

Now comes the international angle: The remaining 45 per cent of the stock in Basic Magnesium, Inc., was given to Magnesium Elektron, Ltd., of England, who furnished the knowledge of a refining process. Although this process is known as the "English process," it is operated by Magnesium Elektron, Ltd., under a licensing agreement obtained from the I. G. Farben Industrie, of Germany, an agreement which permitted the operation of plants in England. There is a serious question as to the contribution of Magnesium Elektron, Ltd., of England, since they do not own, or do they have the license to operate this process in the United States. The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to Alcoa and one-half of which directly or indirectly belongs to the German interests.

As to the agreement between Defense Plant Corporation and Basic Magnesium, Inc. I will review some of the interesting and almost unbelievable expenditures of the taxpayers' money.

Although Basic Magnesium, Inc., has had little or no construction experience, they are to receive a gift of \$300,000 for "supervising" the construction of the plant. Remembering that Defense Plant Corporation pays all the bills, including the salaries, wages, and materials, as well as construction, engineers' and contractors' fees and profits in the amount of nearly a million dollars, it can be seen why I used the term "gift" when I refer to the \$300,000 which is Basic Magnesium's share for construction.

As a matter of fact, not only are the salaries of those engaged in construction of the plant paid by Defense Plant Corporation, but those engaged in operation and management as well. There are only three salaries which come out of the profits to Basic Magnesium, and these are Heigden, secretary-treasurer of Basic Magnesium, Inc., Major Ball, vice-president of Basic Magnesium, Inc., as well as British consultant, and Eells himself.

Before I take up the matter of these profits in detail, of which the \$300,000 item is only a small part, I wish to mention several other interesting expenditures of public funds which DEFENSE PLANT CORPORATION agreed to:

Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories. In other words the government paid the corporation for promoting its officials out of \$63,000,000.

This "incidental" item comes under the heading of "expenses" and is not included in the figuring of the profits.

Another miscellaneous item of interest has to do with a particularly kind of peat moss which is used in the process of manufacturing magnesium and of which the government had purchased the complete stock of British Columbia.

Under the terms of the contract, the government is paying for this peat moss the Defense Plant Corporation is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc.

The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project. Thus the government bought the same plans twice.

The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting the interests of their company.

Is it any wonder that Basic Magnesium, Inc., declined to cooperate with the investigator of the Truman Committee? When the Investigator of the Truman Committee, acting under the authority of a resolution passed by the United States Senate, visited the plant, he found that orders had been given in a written memorandum circulated throughout the plant that employees or officials of Basic Magnesium were not to give him any information. Two members of the Basic Magnesium, Inc., police force were detailed to follow the Investigator to see that no employee disobeyed these orders.

Now to consider the profiteering angles. The Defense Plant Corporation agreed to pay Basic Magnesium, Inc., \$1,000,000 in case the government sold the plant to some other company during the year following completion of the construction. Should a sale be contemplated, Basic Magnesium, Inc., to be given first opportunity to buy, the price to be set by the corporation. Thus, as the corporation stated, the terms of the contract seem to place a premium on incompetence and mismanagement.

Defense Plant Corporation agreed also to pay an estimated \$500,000 for management and operation of the plant annually, after capacity production has been reached, which is expected in November of this year.

There is an agreement now being negotiated whereby the Defense Plant Corporation agrees to pay \$1 a ton royalty or \$280,000 annually for the ore with all mining, milling and hauling costs to be paid by the Defense Plant Corporation. In case the plant is sold, the royalty on this ore is doubled to \$2 a ton or \$560,000 annually, with the Defense Plant Corporation agreeing to continue to purchase the ore at this source for a period of ten years, notwithstanding the fact that it may be purchased cheaper elsewhere in Nevada.

The remaining item in the \$2,140,000 profit is the \$300,000 Basic Magnesium, Inc., will receive on completion of the construction of the project, which I mentioned before.

Although it is almost impossible to believe, there is no obligation on the part of Basic Magnesium, Inc., to repay any of the money paid out by Defense Plant Corporation. There is absolutely no collateral securing the sums advanced by Defense Plant Corporation.

Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis.

Basic Magnesium, Inc., has a carte blanche agreement to act for and in behalf of Defense Plant Corporation to establish the matter of policy subject to the "review" of the Defense Plant Corporation. The "review" is in the form of a past audit but does not give the government immediate control over the property or the expenditure of money. Thus, the Defense Plant Corporation has no direct supervision over either the quality of the construction or efficient operation. How, then, could they be certain that the project would be completed as expeditiously and economically as possible? The only function of Defense Plant Corporation in this matter to date has been paying the bills.

I do not intend—if I can help it—to allow the taxpayers' money to be wantonly wasted in a promotional scheme that will not accomplish the ends sought by our government in this war effort.

It is unholy to think that any individual or group of individuals would steal from the public coffers under the pretense of patriotism or the cloak of war emergency.

I will not stand idly by and have a department in Washington or a group of promoters exploit the resources of my state and saddle onto its people an unsound, temporary industry dedicated to the personal profits of a few greedy individuals. The manufacturing of magnesium is vital to the war effort. This plant must produce at the earliest possible date. Not only that, but it must continue in operation after the war on a sound, commercial basis. Neither of these objectives

can be accomplished under the management of Howard P. Eells, Jr. I demand that this project be established on a sound financial management and that a change in management be effected at once. I demand that the immediate and permanent operation of the project be insured.

The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation, which I demand be made.

The unlimited resources of Nevada are at the disposal of our government in our war effort. The quicker the war is won, the more American lives will be saved. But we will not contribute one pound of metal as tribute to a group of racketeering promoters at the expense of the lives of the boys in uniform.

WASHINGTON, April 9. (UP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "designed to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

The charges were voiced by Senator Berkeley L. Bunker, (Dem.) of Nevada who bitterly denounced an agreement between the corporation and RFC's subsidiary and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

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NEW DELHI.—Britain and India are in general agreement on a self-government plan which will establish the first All-Indian National government in two centuries and provide for an executive council of 15 members, all but one of them to come from the various political parties, it was learned last night.

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APR 10 1942
MUMONT, TEX. ENTERPRISE

JESSE JONES AND SENATOR CLASH ON PROFITEERING

Charge of 'Sinister' Contract With Magnesium Firm Is Made by Solon and Denounced by RFC Head

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Seattle (Wn) U. of W. Daily
April 10, 1942

Night Flashes

By United Press

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RFC HEAD DENIES FRAUD CHARGE IN MAGNESIUM DEAL

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The charges were voiced by Senator Berkeley L. Bunker (D., Nev.), who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a Government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Probe Asked

Charging the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000, and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. ". . . (his) statements are unworthy of a United States Senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our Government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the President and the American people." "Startling Ramifications!" He said that if the agreement "represents a gross section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency in the Government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

Questions Firm's Rights

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Scandal Noted In Defense Deal

WASHINGTON, April 9 (AP) Senator Berkeley L. Bunker, democrat, Nevada, charged in a senate address Thursday that an agreement between the defense plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the defense plant corporation, a subsidiary of the reconstruction finance corporation.

Taxpayers' Money

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money:

1. A "gift" of \$300,000 from DPC to the Cleveland firm for "supervising" the project over and above payments for salaries, wages, construction costs and profits.

2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now being negotiated for payment by DPC of a \$1-per-ton royalty annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton annually.

Jones' Explanation

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than 2 per cent of the total cost."

"The operating or management fee of the plant," he said, "is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed 1/4 cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker."

MAGNESIUM PLANT ROW

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4280 Per Cent Profit

Senator Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63 million dollar plant at Las Vegas, Nev., which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 company executives.

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones Makes Reply

Mr. Jones replied that the Nevada plant will cost 70 million dollars and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost." He added:

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . the plant is wholly owned by the Government and will be operated for its account. . . the Government's interest is fully protected."

"Senator Bunker's speech contains false and misleading statements."

\$50,000 Outlay — \$2,140,000 Return

Senator Bunker of Nevada charged last Friday on the Senate floor that Basic Magnesium, Inc., of Cleveland, for which the Defense Plant Corporation is financing a \$63,000,000 magnesite refining plant at Las Vegas, Nev., "stands to make a profit of 4280 per cent, or \$2,140,000, in one year on an admitted investment of not more than \$50,000."

At Bunker's request a subcommittee of the special Senate committee which is investigating the national defense program conducted hearings at Las Vegas in March, and has filed a report which termed a lease agreement between the Defense Plant Corporation and Basic Magnesium, Inc., involving magnesite deposits, "one of the most flagrant attempts at war profiteering."

A list of salaries which Senator Bunker read included the names and positions of more than forty officials of the company whose salaries ranged from \$36,000 a year to \$3900. He pointed out that salaries of these officials are being paid from taxpayers' money advanced to the company.

'Sinister Fraud' Charges Lead to Capital Dispute

Sen. Berkeley L. Bunker, Jesse H. Jones Clash Over Contract

WASHINGTON, April 10 (U.P.)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, Dem., Nev., today were involved in dispute whether a magnesite plant contract perpetrated a "sinister fraud" consti-

WASHINGTON, April 10 (U.P.)—Allen Property Custodian Leo T. Crowley has taken over foreign holdings in Magnesium Development Corp., New York, and Luscombe Airplane Corp., West Trenton, N. J.

tuting a "betrayal of the President and the American people." Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an R. F. C. subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

APR 10 1942

Solon Assails Defense Agency

WASHINGTON, April 9.—(AP)—Senator Bunker (D-Nev.) charged in a senate address today that an agreement between the Defense Plant corporation and Basic Magnesium, Inc., of Cleveland, O., for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant corporation, a subsidiary of the Reconstruction Finance corporation, and added:

"If the agreement between the Defense Plant corporation and Basic Magnesium, Inc., represents a gross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny in comparison."

"The fraud that is being perpetrated by the Defense Plant corporation is a betrayal of the president and the American people." Last week Bunker told the senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

WAR PLANT LEASE TERMED CORRUPT

Senator Hits Nevada Magnesium Deal; Jones Calls Charge False

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation (DPC) had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker, Democrat of Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation (RFC) which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance." If the agreement, he added, represented "a gross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

EELLS NAMED.

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Belis Jr. of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on thirty-six mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended, in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington."

and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories.

"In other words the Government paid the corporation for promoting its officials out of \$63,000,000. . . .

TO YIELD PROFIT.

"And finally, remember this! The product of the plant is not to be furnished the Government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management (OPM) and the War Department, and "the Government's interest is fully protected."

GOVERNMENT OWNED.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Senator Thomas, Republican of Idaho, congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looking the United States Treasury," Thomas declared, "should not be prosecuted; they should be jailed."

From SUN-TELEGRAPH Pittsburgh, Pa.

APR 10 1942

Senator Asks Probe Of Magnesium Plant

By WILLIAM S. NEAL

International News Service

WASHINGTON, April 10.—Senator Berkeley L. Bunker (Dem.) of Nevada, today demanded an early and complete public investigation of a \$70,000,000 magnesite plant being constructed in Nevada with government funds.

Bunker made his demand after RFC Chairman Jesse Jones bitterly assailed the Senator for alleging that "frauds" are being perpetrated by the Defense Plant Corporation, an RFC agency, and

the Basic Magnesium Corporation, builders of the plant.

Stung by Bunker's continued charges against the Defense Plant Corporation, Jones criticized the Senator for making "false and misleading statements. . . unworthy of a United States Senator."

Refusing to back down, the Nevada Senator, who is serving the unexpired term of the late Senator Key Pittman, retorted that Jones "evidently doesn't know what is going on in his own organization."

Bunker Charges 'Sinister Fraud' in Magnesite Plant Deal; Jones Denies Claim

WASHINGTON—The senate Thursday heard charges immediately branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Sen. Berkeley L. Bunker, (D-Nev.), who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the firm stands to make a 4,280 percent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

Calls Statements False.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "His statements are unworthy of a United States senator and cannot go unchallenged."

Bunker reminded the senate that the Truman-senate committee had looked into this magnesium project and had found it heavily laden with "waste of the taxpayers' money," Sen. Thomas (R-Idaho), joined Bunker on the senate floor in assailing the contract, saying:

"These are the things that are un-

dermining the confidence of the people in the war set-up. We must prosecute these fellows who are looting the treasury."

Bunker described Basic Magnesium's organization as "startling in its ramifications." He said that 45 percent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

Lists Expenditures.

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money."

1. A "gift" of \$300,000 from DPC to the Cleveland firm for

"supervising" the project over and above payments for salaries, wages, construction costs and profits.

2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$28,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton or \$56,000 annually.

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than two percent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker," he said.

"The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant, as well as its operation, are carefully audited as the work progresses."

"Defense plant corporation contracted with Basic Magnesium, Inc. for the construction of this plant at the request of OPM and the war department and the government's interest is fully protected."

From STAR
Washington, D. C.
APR 10 1942

Jones Calls Bunker's Charge of 'Sinister' Contract False

Declares U. S. Interests Fully Protected in Magnesium Plant Deal

Secretary of Commerce Jones last night denounced as "false" a charge by Senator Bunker, Democrat, of Nevada that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm.

Mr. Jones said the "Government's interest is fully protected" in the contract with Basic Magnesium, Inc. for construction of a magnesium plant near Las Vegas, Nev.

The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp. which operates under

the Commerce Department, headed by Mr. Jones.

The Secretary's statement was issued soon after Senator Bunker declared in a Senate speech that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our Government are guilty of malfeasance."

Jones' Statement.

Declaring that Senator Bunker's charges "are unworthy of a United States Senator" and that he must know they are "untrue," Mr. Jones said:

"The magnesite plant that is being built by the Government near Las Vegas, Nev., will cost approximately \$70,000,000, and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium."

"Nine separate contractors are participating in the construction. The fees to be paid the nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc. for its engineering plans, supervision, and 'know-how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management

fee of the plant is to be 1/2 cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost.

"The royalty for the ore will not exceed 1/2 cent per pound of magnesium metal produced."

Owned by Government.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

"Defense Plant Corp. contracted with Basic Magnesium, Inc. for the construction of this plant at the request of O. P. M. and the War Department, and the Government's interest is fully protected."

"Senator Bunker's speech contains many false and misleading statements, which it takes no courage to make under his cloak of immunity."

Meanwhile, Representative Anderson, Democrat, of New Mexico told the House that this country's magnesium production had been ham-

pered by patent agreements between the Aluminum Co. of America and the German dye trust.

He quoted published reports that a consent decree was expected against the aluminum company ending the patent agreement, and predicted the decree would show other companies involved in a restrictive licensing arrangement.

APR 10, 1942
KANSAS CITY, KS. KANSAS

Clash Over Magnesium Plant Charges

Jesse Jones Angered by Claim of Senator Contract Is 'Sinister.'

Washington.—(UP) Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker (Dem.), Nevada, today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant corporation, an RFC subsidiary, and Basic Magnesium, Inc. of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

Based on Testimony

Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate defense investigating committee, and will repeat them in the senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63-million-dollar plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid forty-two Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Jones Gives His Side

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern.

APR 10, 1942
GRAND FORKS, N. D. MOR. HER.

Senator's Magnesium Plant Charges Denied

WASHINGTON — (AP) — A charge that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp., which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc. on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells Jr. of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have ex-

pendent in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories. "In other words the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this: The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee of Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

APR 10, 1942
ARGO N D MORN FORUM

Solon Says War Contract 'Sinister'

Washington — (AP) — A charge that the Defense Plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate Thursday by Senator Bunker, (Dem.) Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant corporation is a subsidiary of the Reconstruction Finance corporation which, in turn, operates under the commerce department headed by Jones.

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Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63-million-dollar plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid forty-two Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern.

000,000 to build a refinery at Las Vegas.

"Prior to the formation of Basic Magnesium, Inc. and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant corporation to Basic Refractories. "In other words the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this: The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

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The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately 2 per cent of the estimated cost. The royalty for the ore will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker," he said.

"The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant, as well as its operation, are carefully audited as the work progresses."

"Defense plant corporation contracted with Basic Magnesium, Inc. for the construction of this plant at the request of OPM and the war department and the government's interest is fully protected."

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money."

1. A "gift" of \$300,000 from DPC to the Cleveland firm for

"supervising" the project over and above payments for salaries, wages, construction costs and profits.

2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$28,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton or \$56,000 annually.

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than two percent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker," he said.

"The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant, as well as its operation, are carefully audited as the work progresses."

Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost 70 million dollars and is being constructed by nine separate contractors with all construction fees aggregating less than 2 per cent of the total cost.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . The plant is wholly owned by the government and will be operated for its account. . . . The government's interest is fully protected."

Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

From PRESS
Jamaica, N. Y.
APR 10 1942

DEFENSE 'FRAUD' TO BE PROBED

WASHINGTON (UP) — Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, D. Nev., were involved today in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1.—Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium Inc. of Cleveland, produced the fraud, and demanded a "complete investigation."

2.—Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3.—Bunker returned today with the statement that he based his criticism on testimony at Western hearings of the Senate Defense Investigating Committee, and would repeat them in the Senate next week to give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern.

Senator Bunker Hurls New Charges Against Basic Magnesium, Inc.

WASHINGTON, D. C.—(Special)—Senator Berkeley L. Bunker called today for an investigation of the Defense Plant Corporation as a result of its agreement with Basic Magnesium, Inc., of Cleveland, Ohio, to build a \$63,000,000 magnesite refinery at Las Vegas.

"The agreement is so sinister as to indicate certain officials of the government are guilty of malfeasance," said Bunker, who brought the Truman Committee of the Senate to Las Vegas in March to investigate the Las Vegas situation.

It was Bunker's second address in the Senate on the ramifications of Basic Magnesium, Inc., which he said, projected the company "into the picture of international intrigue, involving English and German interests."

Previously he charged that Basic Magnesium, Inc., stood a chance of making \$2,140,000 profit in one year, or 4,280 per cent. The Truman Committee reported the company was involved in a "flagrant attempt at war profiteering," and said it would continue its investigations.

In the Senator's address today, he declared that the magnesium plant must continue in operation after the war. He stated, "I demand that immediate and permanent operation of the project be insured."

The text of the Senator's address to the Senate follows:

Mr. President. On Friday of last week I promised to tie together for the Senate the ends of one of the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee—the case of Basic Magnesium, Inc., an industrial corporation of Cleveland, Ohio, operating in Nevada, which stands to make a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

On Thursday of last week a subcommittee of the senate committee investigating war industries reported, after conducting hearings at my request at Las Vegas in March, that Basic Magnesium, Inc., was guilty of "one of the most fla-

grant attempts at war profiteering" to come to its notice.

On the following day I read into the record a list of extortionate salaries paid to 42 officials of Basic Magnesium, Inc., out of public funds—salaries as high as \$36,000 a year; salaries of 42 men totaling nearly \$400,000 annually; salaries coming out of the \$63,000,000 the Defense Plant Corporation set aside for the construction of a magnesite refinery at Las Vegas, which it has agreed to lease to Basic Magnesium, Inc.

I shall address the Senate membership later on several phases of this matter which have not yet been brought to their attention. Today I shall lay before this body additional data to warrant the conclusion that the Defense Plant Corporation has entered into an agreement with the Basic Magnesium that is so sinister as to indicate that some officials in our government are guilty of malfeasance in the performance of their duties.

I shall also outline the startling ramifications that project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests.

If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one con-

clusion: we are tolerating the existence of an agency of the government that is so corrupt that would make profiteering in the last war look like petty larceny by comparison.

No one realizes more than the members of the United States Senate the incalculable load that is being carried by the President in the prosecution of this war. He has the confidence of the American people. He must have the loyalty of the governmental departments. The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and of the American people. Money will not win this war, and unconscionable profits will only prolong the war. The saddest betrayal in the history of man was negotiated for thirty pieces of silver.

Now to tie the ends of this amazing scandal together, which I shall do as briefly and graphically as possible.

Basic Magnesium, Inc., came into being in 1941, a child of the fertile promotional brain of Howard P. Eells, Jr., of Cleveland, Ohio, president of Basic Refractories, Inc. This corporation had obtained development rights on 36 mining claims on the public domain in Nye County, Nevada.

These claims were transferred by Basic Refractories, Inc., to Basic Magnesium, Inc., a subsidiary, also headed by Eells, in return for 55 per cent of the stock in Basic Magnesium, Inc.

These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$64,000,000 to build a refinery at Las Vegas.

Now comes the international angle: The remaining 45 per cent of the stock in Basic Magnesium, Inc., was given to Magnesium Elektron, Ltd., of England, who furnished the knowledge of a refining process. Although this process is known as the "English process," it is operated by Magnesium Elektron, Ltd., under a licensing agreement obtained from the I. G. Farben Industrie, of Germany, an agreement which permitted the operation of plants in England. There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States. The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to Alcoa and one-half of which directly or indirectly belongs to the German interests.

As to the agreement between Defense Plant Corporation and Basic Magnesium, Inc., I will review some of the interesting and almost unbelievable expenditures of the taxpayers' money. Although Basic Magnesium, Inc., has had little or no construction experience, they are to receive a gift of \$300,000 for "supervising" the construction of the plant. Remembering that Defense Plant Corporation pays all the bills, including the salaries, wages, and materials, as well as construction, engineers' and contractors' fees and profits in the amount of nearly a million dollars, it can be seen why I used the term "gift" when I refer to the \$300,000 which is Basic Magnesium's share for construction.

As a matter of fact, not only are the salaries of those engaged in construction of the plant paid by Defense Plant Corporation, but those engaged in operation and

management as well. There are only three salaries which come out of the profits to Basic Magnesium, and these are Heigden, secretary-treasurer of Basic Magnesium, Inc., Major Ball, vice-president of Basic Magnesium, Inc., as well as British consultant, and Eells himself.

Before I take up the matter of these profits in detail, of which the \$300,000 item is only a small part, I wish to mention several other interesting expenditures of public funds which DEFENSE PLANT CORPORATION agreed to:

Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories. In other words the government paid the corporation for promoting its officials out of \$63,000,000.

This "incidental" item comes under the heading of "expenses" and is not included in the figuring of the profits.

Another miscellaneous item of interest has to do with a particularly kind of peat moss which is used in the process of manufacturing magnesium and of which the government had purchased the complete stock of British Columbia. Besides the price which the government is paying for this peat moss the Defense Plant Corporation is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc.

The Defense Plant Corporation also agreed to pay a firm of architects \$28,000 for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project. Thus the government bought the same plans twice.

The Defense Plant Corporation is now paying traveling expenses and salaries of 45 officials of Basic Magnesium now in England studying the process. At the same time, Defense Plant Corporation is paying the salaries of English technicians who are in America promoting the interests of their company.

Is it any wonder that Basic Magnesium, Inc., declined to cooperate with the investigator of the Truman Committee? When the Investigator of the Truman Committee, acting under the authority of a resolution passed by the United States Senate, visited the plant, he found that orders had been given in a written memorandum circulated throughout the plant that employees or officials of Basic Magnesium were not to give him any information. Two members of the Basic Magnesium, Inc., police force were detailed to follow the Investigator to see that no employee disobeyed these orders.

Now to consider the profiteering angles. The Defense Plant Corporation agreed to pay Basic Magnesium, Inc., \$1,000,000 in case the government sold the plant to some other company during the year following completion of the construction. Should a sale be contemplated, Basic Magnesium, Inc., was to be given first opportunity to buy, the price to be set by arbitration. Thus, as the committee report stated, the terms of the contract seem to place a premium on incompetence and mismanagement.

Defense Plant Corporation agreed also to pay an estimated \$560,000 for management and operation of the plant annually, after capacity production has been reached, which is expected in November of this year.

There is an agreement now being negotiated whereby the Defense Plant Corporation agrees to pay \$1 a ton royalty or \$280,000 annually for the ore with all mining, milling and hauling costs to be paid by the Defense Plant Corporation. In case the plant is sold, the royalty on this ore is doubled to \$2 a ton or \$560,000 annually, with the Defense Plant Corporation agreeing to continue to purchase the ore at this source for a period of ten years, notwithstanding the fact that it may be purchased cheaper elsewhere in Nevada.

The remaining item in the \$2,140,000 profit is the \$300,000 Basic Magnesium, Inc., will receive on completion of the construction of the project, which I mentioned before.

Although it is almost impossible to believe, there is no obligation on the part of Basic Magnesium, Inc., to repay any of the money paid out by Defense Plant Corporation. There is absolutely no collateral securing the sums advanced by Defense Plant Corporation.

Neither company, Basic Magnesium, Inc., or the English company, Magnesium Elektron, Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis.

Basic Magnesium, Inc., has a carte blanche agreement to act for and in behalf of Defense Plant Corporation to establish the matter of policy subject to the "review" of the Defense Plant Corporation. The "review" is in the form of a past audit but does not give the government immediate control over the property or the expenditure of money. Thus, the Defense Plant Corporation has no direct supervision over either the quality of the construction or efficient operation. How, then, could they be certain that the project would be completed as expeditiously and economically as possible? The only function of Defense Plant Corporation in this matter to date has been paying the bills.

I do not intend—if I can help it—to allow the taxpayers' money to be wantonly wasted in a promotional scheme that will not accomplish the ends sought by our government in this war effort.

It is unholy to think that any individual or group of individuals would steal from the public coffers under the pretense of patriotism or the cloak of war emergency.

I will not stand idly by and have a department in Washington or a group of promoters exploit the resources of my state and saddle onto its people an unsound, temporary industry dedicated to the personal profits of a few greedy individuals. The manufacturing of magnesium is vital to the war effort. This plant must produce at the earliest possible date. Not only that, but it must continue in operation after the war on a sound, commercial basis. Neither of these objectives

can be accomplished under the management of Howard P. Eells, Jr.

I demand that this project be established on a sound, financial foundation, and that a change in management be effected at once. I demand that the immediate and permanent operation of the project be insured.

The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation, which I demand be made.

The unlimited resources of Nevada are at the disposal of our government in our war effort. The quicker the war is won, the more American lives will be saved. But we will not contribute one pound of metal as tribute to a group of racketeering promoters at the expense of the lives of the boys in uniform.

Sen. Bunker's Charges Of War Profiteering In Magnesium Deal Denounced By RFC Head As False

From
FREE PRESS
Detroit, Mich.
APR 10 1942

Jones Denies Accusations of Senator

Charges of Fraud in Magnesium Deal Are Branded Untrue by Commerce Chief

By the United Press
WASHINGTON, April 9.—The Senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the Government's Defense Plant Corp.

The charges were voiced by Senator Berkeley L. Bunker, Nevada Democrat, who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a Government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Demands Investigation
Charging that the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. . . . (His) statements are unworthy of a United States Senator and cannot go unchallenged."

Hints at Malfeasance
Bunker described the agreement as "so sinister as to indicate that some officials of our Government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the Defense Plant Corp. and Basic Magnesium is a betrayal of the President and the American people."

Describing Basic Magnesium's organization as "startling in its ramifications," Bunker said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

To Cost \$70,000,000
Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than 2 per cent of the total cost. . . ."

"The operating or management fee of the plant," he said, "is to be one-half cent a pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent a pound of magnesium metal produced."

"The plant is wholly owned by the Government and will be operated for its account.

"Defense Plant Corp. contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the War Department and the Government's interest is fully protected."

Washington, April 9.—(AP)—A charge that the Defense Plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesite firm was made in the Senate today by Senator Bunker (D., Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant corporation is a subsidiary of the Reconstruction Finance corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

Charges Corruption.

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

63 Millions "Promoted."
"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant corporation to Basic Refractories."

"In other words the government paid the corporation for promoting its officials out of \$63,000,000. . . ."

"And finally, remember this: The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Jones Charges False Statements.
When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Corruption and Fraud Seen in Refinery Agreement—

People Betrayed in Magnesium Deal, Solon Charges

WASHINGTON (AP)—Senator Bunker (D., Nev.), charged in a Senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium Inc. of Cleveland, for construction of a 63-million-dollar magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp. and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., is guilty of "one of the most flagrant attempts at war profiteering."

Bunker, youngest member of the Senate, declared the ramifications of the transaction are so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue,

involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, is owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

Bunker said the other 55 per cent of the stock is owned by Basic Refractories, Inc., of which Howard P. Eells Jr., of Cleveland, is president. Basic Refractories obtained its interest by transferring its rights in 36 public domain mining claims in Nye county, Nev., to Basic Magnesium, Inc., on which some development work had been done. Eells also is president of the subsidiary, Basic Magnesium, Inc., Bunker said.

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole assets of Basic Magnesium, Inc., the corporation which Defense Plant Corp. is giving 63 million dollars to build a refinery at Las Vegas," Bunker said.

Neither company, Basic Magnesium, Inc., nor the English company, Magnesium Elektron,

Ltd., had sufficient assets or were sufficiently financially responsible to warrant such an extension of credit on a sound business basis."

Bunker said terms of the Defense Plant Corp.-Basic Magnesium, Inc., agreement provided that Defense Plant Corp. would pay the company one million dollars in case the plant was sold to some company other than Basic Magnesium, Inc.; \$300,000 for supervising construction; \$280,000 a year royalty on ore taken from the public domain claims, and an estimated \$560,000 for management and operating of the plant annually. The total was \$2,140,000.

In case of a sale of the plant to other than Basic Magnesium, Inc., then for ten years the government would be required to pay a royalty of \$560,000, instead of \$280,000 annually, for ore taken from the public domain claims, Bunker asserted.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000," said Bunker.

"This no doubt includes Eells' numerous trips to Washington and entertainment. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories."

He said the Defense Plant Corp. purchased peat moss required for processing of magnesite and in addition "is paying a group of Canadian and American distributors an \$84,000-a-year bonus for the release of all their available stock to Basic Magnesium, Inc."

"The Defense Plant Corp. also agreed to pay a firm of architects \$28,000 for the priv-

ilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another government project," Bunker charged.

"Thus the government bought the same plans twice.

"The Defense Plant Corp. is now paying traveling expenses and salaries of 45 officials of Basic Magnesium, now in England studying the process. At the same time, Defense Plant Corp. is paying the salaries of English technicians who are in America promoting interests of their company."

Last week Bunker listed 40 officials of Basic Magnesium Inc., whose salaries ranged from \$3,900 to \$36,000 a year and termed the salaries "extortion rates."

Yet, the Sun guesses about extenuating circumstances and an open market! It may be that the Sun is confused in its thinking. It make have in mind the "black market." That would be closer the mark.

The soldier and the worker must sell their services in a DIRECTED MARKET. Standard Oil, the Aluminum Company, Bethlehem Steel and other organizations of predatory wealth sell their products in a PROTECTED MARKET. The protected market is a closed shop affair where them that has gits, while them that ain't got don't git. The protected market is a black market. It is a case

of greasing the fat sow's belly and the Sun prates about an open market. The law is being used to protect property and punish human beings. The Sun pretends to condemn this sort of thing but spends most of its ink on trying to fish up excuses to justify it. It wants \$36,000 dollars per year paid to skilled technicians in the employ of big biz; but for the REAL SKILLED TECHNICIANS who hold back the Japs in Bataan, it has never raised its voice to give them more than \$21 per month. It has never joined the campaign of The Labor Herald to give the lowest paid soldier not less than \$60 per month. The Lord knows that is little enough. We are not asking \$36,000 per year for them even though they are worth much more.

How does the Sun get that way? Trying to drag in the open market when there ain't no such animal any more. Today markets are either protected or directed. Let us hear no more of this open market stuff or the first thing we know workers will be going around advocating that the right to strike must be reasserted with compelling emphasis.

Why this talk about an open market? Uncle Sam loaned Magnesium, Inc., \$63,000,000 and Magnesium, Inc., is collecting dividends on the sixty-three million while other people have to pay interest on loans. The company is engaged in war production work and its product is for our war. How can this be put on a par with an open market where men can draw salaries of \$36,000 per year instead of \$21 per month and the company makes 4,280 per cent profit while workers cannot charge for overtime work and are not allowed to strike because it might interfere with the making of such huge profits or the payment of such large salaries?

Surely it is not the open market which puts its hand on a young man's shoulder and bids him fight from the foxholes in the Philippines for twenty-one dollars a month. Surely it is not an open market which prevents a Union man from accepting double pay for Sundays or holidays or will not allow him to charge time and one-half over forty hours for his services. Surely it is not an open market that will prevent so many people from buying rubber for their tires. Surely Unions do not operate in an open market when they give up the right to quit work (or strike).

What open market? To what open market does the Sun refer?

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Magnesium Deal 'Corruption' Hit

WASHINGTON, April 9.—(AP)—Senator Bunker, Democrat, Nevada, charged in a senate address today that an agreement between the Defense Plant Corp. and Basic Magnesium, Inc., of Cleveland, Ohio, for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance."

He demanded a thorough investigation of the Defense Plant Corp., a subsidiary of the Reconstruction Finance Corp. and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Last week Bunker told the Senate that Basic Magnesium, Inc., stood a chance of making a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000.

Previously, the special Senate committee that is investigating national war projects reported that hearings it conducted at Las Vegas at Bunker's request indicated that Basic Magnesium, Inc., was guilty of "one of the most flagrant attempts at war profiteering."

Bunker's youngest member of the Senate, declared today that the ramifications of the transaction were so far reaching as to "project Basic Magnesium, Inc., into the picture of international intrigue, involving English and German interests."

Forty-five per cent of the stock in Basic Magnesium, Inc., he said, was owned by Magnesium Elektron, Ltd., of England. The English company, he added, obtained that interest by agreeing to furnish a magnesite refining process it obtained under an agreement with I. G. Farbenindustrie of Germany.

From INQUIRER Philadelphia, Pa.

APR 10 1942

PLANT DEAL CHARGE DENIED BY JONES

By RICHARD L. HARKNESS

Inquirer Washington Bureau

WASHINGTON, April 8.—The charge of Senator Berkeley L. Bunker (D., Nev.) in the Senate today that Jesse Jones' Defense Plant Corp. was guilty of "fraud" in the financing of a big magnesite plant brought a stinging reply from the Secretary of Commerce tonight.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones declared in a formal statement. "The Senator must know that these statements are untrue."

"SINISTER" CONTRACT

Jones' anger was aroused by Bunker's assertion that the Federal contract to finance a \$63,000,000 magnesite refinery at Las Vegas, Nev., for operation by Basic Magnesium, Inc., was "so sinister as to indicate that some officials of our Government are guilty of malfeasance."

Bunker demanded an investigation of the Defense Plant Corp., of which Jones is chairman, and added:

"If the agreement between the Defense Plant Corp. and Basic Magnesium, Inc., represents a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petit larceny by comparison."

"BETRAYAL OF PEOPLE"

"The fraud that is being perpetrated by the Defense Plant Corp. is a betrayal of the President and the American people."

Bunker repeated his charge that the financing contract was drawn to permit Basic Magnesium, Inc., to earn 4,280 percent profit from an initial investment of less than \$50,000 in the project.

Jones replied that the fees for construction and supervision "will aggregate less than 2 percent of the total cost of the plant."

JONES AND BUNKER IN DISPUTE ON MAGNESIUM PLANT, FRAUD COUNT

WASHINGTON, April 10. (AP)—Federal loan administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., today were involved in dispute whether a magnesite plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, promoted the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the senate defense investigating committee, and will repeat them in the senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 percent profit on an investment of \$50,000. He said "extraordinary salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant

will cost \$70,000,000 and is being constructed by nine separate contractors will all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . the plant is wholly owned by the government and will be operated for its account. . . the government's interest is fully protected."

Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

DEFENSE PLANT DEAL BRINGS SERIOUS CHARGE

SENATOR SEEKS PROBE
 OF U. S. AGENCY;
 DENIAL BY JONES.

Washington, April 9 (AP). — A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the defense plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which defense plant corporation is giving \$63,000,000 to build a refinery at Las Vegas."

Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower

hotel. This sum is now being repaid by the defense plant corporation to Basic Refractories.

"In other words the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half per cent of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operations are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55 per cent of stock, he said, was held by Basic Refractories.

Last week Bunker read into the senate record a list of what he called "extortionate salaries paid to 42 officials of Basic Magnesium, Inc., and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R-Idaho), congratulated Bunker on his speech and expressed hope he would not drop the matter.

"Those fellows who are looting the United States treasury, Thomas declared, "should not be investigated; they should be prosecuted; they should be jailed."

Jesse Jones Hotly Denies "Sinister Profiteering" Charge Made By Senator

WASHINGTON, April 9 (AP). — A charge that the defense plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

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"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operations are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of Eng-

land, which furnished "a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany."

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Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R-Idaho) congratulated Bunker on his speech and expressed hope he would not drop the matter.

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Magnesium Firm Contract, Nazi Tieup Flayed

Senator Hints RFC
 Unit's Officials Are
 'Guilty of Malfeasance'

WASHINGTON, April 10 (UP). — Senator Berkeley L. Bunker (D) of Nevada, charged in the senate today that a government agreement with Basic Magnesium, Inc., is "so sinister" as to indicate that some officials are "guilty of malfeasance."

Bunker denounced an agreement between the Defense Plants Corporation, a subsidiary of the RFC, and Basic Magnesium, Inc., a private concern with headquarters at Cleveland.

He charged that under the company's agreement for construction of a \$63,000,000 magnesite refinery at Las Vegas, Nev., it stands to make a profit of 4,280 per cent in one year.

Bunker said that in organization of Basic Magnesium, 45 per cent of stock went to Magnesium Elektron, Ltd., of England, which furnished knowledge of a refining process. He said the British company operated under a licensing agreement obtained from I. G. Farbenindustrie, German chemical trust.

QUESTIONS ENGLISH FIRM

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., of the process, since they do not own, nor do they have the license to operate this process in the United States," said Bunker.

"The American patents controlling the process are held by an American corporation, one-half of the stock of which belongs to the Aluminum Company of America and one-half of which directly or indirectly belongs to the German interests."

Bunker said: "If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., presents a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that would make profiteering in the last war look like petty larceny by comparison."

GETS CONGRATULATIONS

When Bunker concluded Senator John Thomas (D) of Idaho, congratulated him.

"Those fellows shouldn't be investigated," he said. "They should be prosecuted. They should be jailed. Those are the things that are undermining the confidence of the country in the whole defense setup."

"We must prosecute the fellows who are looting the treasury."

Bunker reviewed what he described as the "interesting and almost unbelievable expenditures of the taxpayers' money" in connection with the agreement. He listed:

1—A "gift" of \$300,000 from the Defense Plant Corporation to Basic Magnesium for "supervising" construction of the project. The sum was granted in addition to grants for salaries, wages, actual construction costs and profits, Bunker said.

2—Payment of \$211,000 to Basic Refractories, Inc., the parent of Basic Magnesium. Bunker said the sum "no doubt" includes funds for trips to Washington and the hotel expenses of Howard P. Eells Jr., Cleveland, president of Basic Refractories.

3—Payment of \$28,000 by the Defense Plant Corporation to a firm of architects, for using plans for 800 demountable houses—plans which has previously been used on another government project.

4—Payment of \$84,000 a year to distributors of a special type of British Columbia peat moss used in manufacture of magnesium, "which they no longer have to distribute."

5—He charged that DPC is paying the traveling expenses of 45 officials of Basic Magnesium now in England studying the production process. "At the same time, DPC is paying the salaries of English technicians who are in America promoting the interests of their company," he said.

THE THINGS THAT

THE Bataan force went out as it would have wished—fighting to the end of its flickering, forlorn hope. **NO ARMY EVER HAS DONE SO MUCH WITH SO LITTLE.**—Gen. Douglas MacArthur's tribute to his heroes of Bataan.

THERE is at least a grain of consolation in the fact that the Japs had to pay a terrific price for Bataan. No gain they have made in this war cost them more. The American and Filipino defenders were not licked. They simply exhausted themselves killing Japs. They reached and passed the limit of human endurance. It was only when they were overcome by physical exhaustion that they were forced to yield to the overwhelming numerical superiority of the invaders.

In their defense of Bataan, the American and Filipino defenders wrote one of the most stirring chapters in American history. For three months they did what many military experts considered impossible. They must have known from the start that they were doomed. But that never weakened their courage and determination to keep on fighting as long as they were physically able to stand and pull a trigger. The showing they made is both an inspiration and a challenge to all the fighting forces of the united nations.

WHAT to do with the 1942 wheat crop when it is harvested is the latest headache of farmers and the department of agriculture. The record carryover of 630 million bushels from the 1941 crop already fills virtually the available storage space. Grain experts meeting at Kansas City say the growers themselves will have to provide their own storage. But nobody has any idea HOW they can do this.

The seriousness of the surplus wheat problem is another reason why the government should be insisting that the additional alcohol needed for war purposes should be obtained from surplus grain instead of from sugar. Federal officials say the American people are facing a sugar shortage. When the supply of sugar is short and we have more wheat and corn than anybody knows what to do with, the logical policy is to use as much as possible of the grain surplus for the production of alcohol.

THE order issued from Washington prohibiting virtually all building construction, except for war purposes, apparently spikes the Denver courthouse site deal. The proposed sale of this property was to be contingent upon construction by the purchaser of an office building costing upwards of one million dollars. Under the war production board's latest order, it appears that construction of such a building now would be impossible. It couldn't logically be classified as a project necessary to the prosecution of the war.

THE infallibility of Jesse Jones, the financial wizard of the new deal, is being questioned in Washington for the first time. For years he has been the one high personage in the administration who has had the confidence and support of all factions. Anti-new dealers as well as new dealers, Republicans as well as Democrats, have trusted him to an extent almost without precedent. As head of the RFC and numerous other governmental financial agencies, he has been given without question discretionary powers that could not have been vested in any other individual without a bitter fight.

Now Jones is under fire as a result of administration failure to make earlier and more adequate provision for expansion of the synthetic rubber industry, and in connection with a certain war contract made by the Defense Plant corporation which is under his supervision. It will take a thorough investigation by congress to determine where the blame, if any, belongs in both of these matters.

Jones denounced as "untrue and irresponsible" the charge made in the senate Thursday by Senator Bunker (Dem.) of Nevada that the agreement between the Defense Plant corporation and Basic Magnesium, Inc., for construction of a 63-million-dollar magnesium refinery at Las Vegas, Nev., "is so sinister as to indicate that some officials of our government are guilty of malfeasance." Bunker also declared that if this agreement "represents a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt it would make profiteering in the last World War look like petty larceny by comparison."

Such a serious charge as Senator Bunker made cannot be ignored. The Truman committee or some other senate committee should dig into this magnesium contract immediately and find out whether "fraud is being perpetrated by the Defense Plant corporation" as Senator Bunker alleges. A thorough probe is imperative both in justice to the taxpayers and to those running the Defense Plant corporation.

The Truman committee already is trying to find out why this country was caught short on rubber when war broke out and cut off our Malayan and East Indian sources of supply. That is nowhere near as important as finding out whether there is any sound basis for charges of fraud and malfeasance in the magnesium plant contract. The rubber situation cannot be changed. But if there is anything off color in this contract at Las Vegas, it is not too late to correct that.

THE decision of large downtown Denver stores to change their shopping hours on Mondays is just one example of the economic dislocations resulting from the war. Instead of the usual 9:30 a. m. to 5:30 p. m. hours which will be continued on the remainder of the week, the stores will not open until noon on Mondays and will remain open until 9 p. m. This change is for the convenience of people who are employed in war industries and whose working hours make it impossible for them to do their shopping during the usual store hours.

In normal times, the fact that working hours coincide with the hours stores are open makes little difference. It is the men mainly who are employed, and the women of the family attend to the shopping. But expansion of war production has greatly increased the employment of women. And now large numbers of women who handle the family shopping are working in the munitions plant or are engaged in other war work or activities. The change in store hours on Mondays is a consideration that is due them.

Even in the schools, wartime conditions are bringing changes. Superintendent Greene has announced that during the next school year, the senior high schools which now begin classes at 8:30 a. m. will not start classes until 9 a. m. They will dismiss at 3:30 p. m. That is intended to harmonize the school day with war-saving time and to assist in relieving congestion on streetcar and bus lines during rush hours.

WHILE some of the changes necessary in wartime can be made without difficulty, others are going to require governmental action. It is apparent that congress and state legislatures are going to have to get busy repealing or suspending some of the laws they have enacted—laws which are desirable in peacetimes but which interfere with war efforts.

For several years, the federal and many state governments have been passing laws to prevent convict-made goods from competing with the products of private industry. But now there is urgent need of the labor of convicts and of the productive capacity of prisons. Of course, laws which prevent the transportation and sale in interstate commerce of convict-made goods can be ignored in the present emergency. But that is a bad plan. The proper thing to do is repeal or suspend them for the duration. Where convict labor can be used for war production, it should be used.

Senator Charges Magnesium Company Head of Fraud Against Government

WASHINGTON, April 9. (UP)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" has been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's Defense Plant Corporation.

The charges were voiced by Senator Berkeley L. Bunker, Democrat, Nevada, who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesium refinery at Las Vegas, Nev.

Charging the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC lending agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "His statements are unworthy of a United States senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," he said.

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium is a betrayal of the president and the American people."

He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 43 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German Chemical Trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

From
POST
Boston, Mass.

APR 10 1942

MAGNESIUM PROJECT IS DENOUNCED

Nevada Senator Says Corrupt Doings at Las Vegas

CLAIMS PROFITS ABOUT 4280 P. C.

Declares \$63,000,000 Asked on Assets of \$50,000

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The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesium refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 25 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

Small Assets of Millions
"The claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$111,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid

the corporation for promoting its officials out of \$63,000,000. . . .

"And finally," remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

Extortionate Salaries Alleged

Bunker, discussing what he termed the "international angle" of basic magnesium, said 43 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 56 per cent of stock, he said, was held by basic refractories. Last week Bunker read into the Senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas of Idaho congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

Gigantic Profiteering Grab Charged by Senator; Jones' Agency Named in Contracts

Profit of 4,280 Per Cent to Be Made; Jones Declares Statement Is False, Deal Proper.

WASHINGTON, April 9. (AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Bunker, Democrat, Nev., and promptly was denounced by Secretary of Commerce Jesse Jones as "false" and "unworthy of a United States senator."

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If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

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He added: "These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government paid

Nevada Senator Claims U. S. Defense Agency Was Involved In \$70 Million Profiteering Plan

"Sinister" War Profiteering Is Heavily Denied

(Associated Press)
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CLAIMS PROFITEERING IS BEING ENDORSED

JONES DENIES CHARGE BY BUNKER OF "SINISTER" WAR CONTRACT.

Would Make World War I Gains Look Like Petty Larceny by Comparison, Nevada Senator Asserts.

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Magnesium Profiteering Deal Charged to Agency

'Sinister' Terms of DPC-Basic Magnesium, Inc., Contract Indicate Government 'Malfeasance,' Says Sen. Bunker; Jones Denounces Accusation as 'False and Unworthy'

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Senator Raps U. S. Deal On Magnesium

DPC Is Charged With Being Party To Profiteering

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"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Ellis' numerous trips to Washington and entertainment at the Mayflower hotel. This sum now is being repaid by the Defense Plant corporation to Basic Refractories."

"In other words, the government paid the corporation for promoting its officials out of \$63,000,000."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R.-Ida.) congratulated Bunker on his speech and expressed hope he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not only be indicted, they should be prosecuted, they should be jailed."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite

From
RECORD
Boston, Mass.
APR 10 1942

War Profiteering Talk Angers Jones

WASHINGTON, April 9 (AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Sen. Bunker (D.) of Nevada and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite

refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Ellis, Jr., of Cleveland, president

of Basic Refractories, Inc. Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nev., Bunker said, adding:

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When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Defense Plants Unit Accused of 'Sinister' War Profits Pact; Jones Brands Charges 'Untrue'

By Robert De Vore

The Defense Plant Corp., subsidiary of the Reconstruction Finance Corp., was accused on the Senate floor yesterday of entering into an agreement for production of war-vital magnesium that is "so sinister as to indicate that some officials of our Government are guilty of malfeasance."

Senator Bunker (Democrat), of Nevada, who leveled the charge against an organization whose top official is Secretary of Commerce Jesse Jones, declared:

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and of the American people."

If the agreement between the Government corporation and Basic Magnesium, a Cleveland, Ohio, corporation, is typical of the conduct of DPC, Bunker asserted, "we are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

Jones Strikes Back

Secretary Jones, in a formal statement, declared that Bunker's charges, "accusing RFC officials of wrong-doing, are unworthy of a United States Senator and cannot go unchallenged." Bunker, Jones stated, "must know these statements are untrue."

Jones said that the plant will cost the Government "approximately" 70 million dollars and that fees to be paid nine construction contractors, together with the fee to Basic Magnesium, "will aggregate less than 2 per cent" of this figure.

The fee to BMI for operating or managing the plant—to have an estimated annual capacity of 112 million pounds—is to be a half cent for every pound produced, Jones said. (On the basis of maximum production Bunker showed the annual fee to be \$560,000.) Royalty fees to B. M. I. for magnesium ores will not be more than one-quarter of a cent for every pound of metal produced, Jones said. (On the basis of maximum production, Bunker showed this fee to be \$280,000 annually.)

The Secretary asserted that no irregularities in construction of the plant have been discovered that would warrant "irresponsible" statements by Bunker. He added that DPC contracted with B. M. I. for construction of the plant at the request of the Office of Production Management and the War Department.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones declared.

To the charge, made last week by the investigating committee headed by Senator Truman (Democrat), of Missouri, that Basic Magnesium, with an investment of less than \$50,000 stands to make about \$900,000 a year on a 30-year contract, Bunker added these accusations:

1. That the \$300,000 which Basic Magnesium, with "little or no construction experience" is to receive for supervising construction of the plant is, in fact, a "gift," when it is considered that all the bills, amounting to nearly a million dollars, are to be paid by the Federal

Government through DPC.

2. That, with three exceptions, the Government, rather than Basic Magnesium, has agreed to pay salaries of persons engaged in construction, operation and management of the plant.

3. That the Government paid Basic Refractories, Inc., parent company of B. M. I., \$211,000 for "promoting its (the Government's) officials out of the \$3 million dollars DPC put up for financing the plant under a cost-plus fixed-fee contract.

4. That after buying in British Columbia, the "complete stock" of a "particular kind" of peat moss used in making magnesium, DPC agreed to pay \$84,000-a-year bonus to a group of Canadian and American distributors for release of all their available stock to BMI, thus "paying the distributors for peat moss which they no longer have to distribute."

5. That DPC agreed to pay \$28,000 for the use of plans for 500 demountable houses at the Las Vegas plant after the plans had already been utilized on another Government project, thus buying the same plans twice.

6. That DPC is paying traveling expenses and salaries of 45 BMI officials now in England studying magnesium manufacturing, while at the same time paying salaries of British technicians who are in this country presumably for the purpose of advising on production of the metal.

7. That when the Truman committee investigator visited the BMI plant he discovered that officials and employes had been ordered, in writing, not to give him any information and that two company policemen followed him about to see that the orders were not disobeyed.

International Ramifications

Bunker's speech, coupled with a House speech by Representative Anderson (Democrat), of New Mexico, yesterday gave Congress additional details on Basic Magnesium's connection with the great German dye trust, I. G. Farbenindustrie, a connection that, it now appears, is merely a small part of a larger story of international cartel arrangements which resulted in restricted production of vital materials.

Commenting on an article published in Wednesday's Washington Post disclosing that a consent decree, to be handed down in a few days, will free magnesium patents in a manner similar to the freeing of synthetic rubber patents in a consent decree two weeks ago against the Standard Oil Co., Anderson told the House that the second decree will involve not only the Aluminum Co. of America, but the Dow Chemical Co., the American Magnesium Corporation and the Magnesium Development Corporation.

BMI, said Anderson, is controlled by a British firm, Magnesium Elektron, Ltd. Until it was seized by the British alien property custodian, Anderson stated, one-half the stock of the British firm was owned by I. G. Farben.

Bunker stated that the British firm owned 45 per cent of BMI's stock which it obtained in exchange for knowledge of a magnesium refining process. The deal was made, said Bunker, despite the fact that the British firm does not have an I. G. Farbenindustrie license to use this process in the United States.

Patents for American magnesium production, said Anderson, are held by Magnesium Development Corp., by Magnesium Development Corporation, which was owned one-half by the Aluminum Co. and one-half by I. G. Farbenindustrie.

Only last week, Anderson disclosed, the Government exercised its policy of taking over enemy assets in this country to seize I. G. Farben's interest in M. D. C. The stock has just been delivered to Leo T. Crowley, alien property custodian, thus giving the Government 50 per cent control of M. D. C. in voting "to permit the magnesium producers in the United States to make use of these important patents," the legislator said.

American magnesium production, Anderson stated, has been restricted "by various deals which Dow (Chemical) had with the German companies." Anderson maintained that it is possible to produce magnesium in this country at about five cents a pound, whereas the price "has been running around 22 to 23 cents." Magnesium Development, he stated, only licenses Dow Chem-

ical to manufacture magnesium in this country.

"The people of this country cannot be expected to be complacent forever when they find that their great resources (magnesium) needed for incendiary bombs and dive bombers are in the hands of the enemy," Anderson declared.

Basic Magnesium, Bunker told the Senate, was born in 1941, "a child of the fertile promotional brain of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc." Refractories, he continued, obtained development rights on 36 mining claims on "public domain" in Nevada. These claims were transferred to B. M. I. in exchange for 95 per cent of B. M. I.'s stock, he said, adding that the claims, admittedly representing an expenditure of less than \$30,000, are the "sole asset" of B. M. I.

From NEWS Harrisburg, Pa. APR 10 1942

Senator, Jones Clash on Nevada Plant Contract

WASHINGTON, April 10.—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, Democrat, Nevada, today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the defense plant corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the Government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate Defense Investigating Committee, and will repeat them in the Senate next week, when he will give Jones "a free ride."

"Extortionate Salaries"

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid forty-two Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our Government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than 2 per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the Government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Senator Denounces 'Sinister' Contract

By The Associated Press

WASHINGTON, April 9.—A charge that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate Thursday by Sen. Berkeley L. Bunker, Nevada, Democrat, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp., which, in turn, operates under the commerce department headed by Jones.

Bunker said the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesium refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to in-

dicate that some officials in our government are guilty of malfeasance."

Sees Corruption

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make like petty larceny by comparison."

Bunker said Basic Magnesium, Inc. was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

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claims on the public domain in Nye county, Nev., Bunker said, adding: "These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

Charges Trips Paid

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington, and entertainment at the Mayflower Hotel. This sum is now being repaid by the De-

fense Plant Corp. to Basic Refractories.

"In other words the government paid the corporation for promoting its officials out of \$63,000,000.

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

"Government Protected"

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55 per cent of stock, he said, was held by Basic Refractories. Last week Bunker read into the Senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,250 per cent profit on an "admitted" investment of less than \$50,000.

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"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how,' will aggregate less than two per cent of the total cost of the plant."

Fees and Royalty.

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced.

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

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From REPUBLICAN Waterbury, Conn. APR 10 1942

Jones Raps Profiteering Accusation

"Sinister" Deal On Magnesium Is Charged

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Bunker declared that the Defense Plant Corp. had agreed to lease a \$63 million dollar magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make like petty larceny by comparison."

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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63 million to build a refinery at Las Vegas."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about 70 million dollars, would have an estimated annual capacity of 112 million pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

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From COURANT Hartford, Conn. APR 10 1942

Magnesium Profiteering Is Charged

Senator Claims Government 'Corruption' in Lease of \$63,000,000 Nevada Refinery

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If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make like petty larceny by comparison."

Claims Said Worth \$50,000.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nev., Bunker said, adding: "These claims, on which Basic Refractories admittedly expended less than \$50,000 represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a Refinery at Las Vegas."

He also asserted: "The product of the plant is not to be furnished the Government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Jones issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

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"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced.

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From NEWS & OBSERVER Raleigh, N. C. APR 10 1942

SENATOR REVIVES MAGNESIUM CASE

Bunker's Profiteering Charges Bring Prompt Denunciation from Jones

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From
TIMES
Roanoke, Va.
APR 10 1942

Senator's Fraud Charge Denied By Jesse Jones

Bunker Attacks Contract Between Magnesium Firm and U. S. Agency

WASHINGTON, April 9 (UP).—Federal Loan Administrator Jesse H. Jones today angrily denied charges by Senator Berkeley L. Bunker, D., Nev., that Basic Magnesium, Inc., of Cleveland, and the government's defense plant corporation are perpetrating a "sinister fraud" constituting "a betrayal of the president and the American people."

Bunker hurled his accusation in a senate speech bitterly denouncing an agreement between the RFC subsidiary and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Makes Huge Profit
He said the firm stands to make a 4,280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 company executives. He demanded a "complete investigation" and that the contract with Basic Magnesium be rewritten.

Jones promptly denied the charges, issuing a formal statement branding them as "untrue and irresponsible."

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under the cloak of immunity," he said. "His statements are unworthy of a United States senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

Betrayal of People
"The fraud that is being perpetrated by the defense plant corporation and Basic Magnesium is a betrayal of the president and the American people."

He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British

concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

Germans Own Part
"The American patents controlling the process are held by an American corporation, one half of the stock of which belongs to the Aluminum Company of America and one half of which directly or indirectly belongs to the German interests."

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money":

1. A "gift" of \$300,000 from DPC to the Cleveland firm for "super-vising" the project over and above payments for salaries, wages, construction costs and profits.

2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now being negotiated for payment by DPC of a \$1-per-ton royalty or \$280,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payments would be increased to \$2 a ton or \$500,000 annually.

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"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected," he said.

Jones added that Bunker's speech contains "false and misleading statements which it takes no cour-

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From
STATE
Columbia, S. C.
APR 10 1942

Jones Declares Bunker's Charges on Magnesium Plant "False, Unworthy"

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Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas. . . ."

"And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying that speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic

magnesium.

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected," he said.

Jones added that Bunker's speech contains "false and misleading statements which it takes no cour-

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From
SUN
Baltimore, Md.
APR 10 1942

JONES BRANDS DPC CHARGES AS "UNTRUE"

Declares Bunker's Talk Against Agency "Un- worthy Of A Senator"

Head Of Defense Plant Unit Assails Nevadan Who Alleged Fraud

By PAUL W. WARD

(Washington Bureau of The Sun)

Washington, April 9.—Jesse Jones, Secretary of Commerce and RFC overlord, defended himself and fellow-Defense Plant Corporation officials tonight against a Senator's charges that they perpetrated a "fraud" and "betrayed" President Roosevelt in letting a \$63,000,000 war-plants contract.

The charges, which Mr. Jones called "irresponsible" and "untrue," were made in the Senate today by its youngest member, Senator Bunker (Dem., Nev.).

The Nevadan based his charges on a contract which the Defense Plant Corporation, an RFC subsidiary, let August 13 last to a company called Basic Magnesium, Inc., for a magnesite refinery at Las Vegas.

Demands Investigation
The Truman committee is conducting an investigation of the contract, and Senator Bunker "demanded" a "complete investigation" of the Defense Plant Corporation. He said "the usual political ramifications surrounding the writing of this contract" warranted such an investigation.

Joseph B. Keenan, a former Cleveland attorney who was a special assistant attorney general and represented the Justice Department on Capitol Hill, from 1933 until February, 1939, was paid \$6,000 for "special services" by the company that received the contract, its head testified before the Truman committee.

Mr. Keenan has been in private practice here since he left the Justice Department.

Calls Statements Untrue
Mr. Jones, who is chairman of the Defense Plant Corporation, said in a formal statement:

"Senator Bunker's statements, made in a speech on the floor of the Senate today, accusing RFC officials of wrongdoing, are unworthy of a United States Senator and cannot go unchallenged. The Senator must know these statements are untrue.

"The magnesite plant that is being built by the Government near Las Vegas, Nev., will cost approximately \$70,000,000 and have an estimated annual capacity of 112,000,000 pounds of metallic magnesium. Nine separate contractors are participating in the construction of the plant."

"The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . Defense Plant Corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of the OPM and the War Department and the Government's interest is fully protected."

By PAUL W. WARD
(Continued from Page 1)

"The remaining 55 per cent of stock, he said, was held by Basic Refractories.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas (R-Idaho) congratulated Bunker on his speech and expressed hope that he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Ex-Clerk Is President

Sam H. Husbands, a former South Carolina bank clerk, who entered the RFC under Mr. Jones as an examiner and rose to become a director, is president of the Defense Plant Corporation, which finances war industries for the Government.

Other directors, besides Messrs. Jones and Husbands, are John W. Snyder, Charles B. Henderson, Howard J. Klossner, Henry A. Mulligan and Claude E. Hamilton, Jr.

Senator Bunker instigated the Truman Committee investigation of the magnesite contract which already has resulted in a preliminary report, filed by a subcommittee last Thursday, saying it was "one of the most flagrant attempts at war profiteering to come to its notice."

Followed With Speech
The Nevadan, who is 37, a former speaker of his State's Legislature, and successor by appointment to the late Senator Pittman (D-Mo.), followed up the subcommittee report with a Senate speech Friday.

He charged that Basic Magnesium, Inc., a Cleveland concern, "stands to make a profit of 4,280 per cent in one year on an admitted investment of less than \$50,000."

He also read to the Senate a list of "extortionate" salaries, ranging in high as \$30,000 a year and totaling nearly \$400,000, being paid to forty-two Basic Magnesium officials out of the \$63,000,000 set aside by Mr. Jones and his colleagues.

Terms It "Sinister"
He said these additional data were such as to "warrant the conclusion that the Defense Plant Corporation has entered into an agreement with Basic Magnesium that is so sinister as to indicate that some officials in our Government are guilty of mal-

feasance in the performance of their duties."

"If the agreement between the Defense Plant Corporation and Basic Magnesium, Inc., represents a cross-section of conduct on the part of the Defense Plant Corporation," he continued, "I can come to only one conclusion: We are tolerating the existence of an agency of the Government that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The fraud that is being perpetrated by the Defense Plant Corporation and Basic Magnesium, Inc., is a betrayal of the President and of the American people."

Most In Report
Most of the data Senator Bunker offered in support of his charges already had been set forth in the Truman subcommittee report, signed by Senators Kilgore (Dem., W. Va.), Wallgren (Dem., Wash.) and Ball (Rep., Minn.) and approved by the chairman of the full committee, Senator Truman (Dem., Mo.).

The Nevadan added, however, a few new details. One was that Mr. Jones and his colleagues have agreed to pay a firm of architects \$28,000 "for the privilege of using plans for 800 demountable houses at the Las Vegas plant—plans which had previously been used on another Government project."

"Thus," he said, "the Government bought the same plans twice."

Cites \$211,000 Payment
Another addition by Senator Bunker to the Truman committee's list of formal charges was that Mr. Jones and his associates have agreed to pay \$211,000 to a Cleveland company, of which Basic Magnesium, Inc., is a subsidiary, for what the Nevadan said were sums the company "claimed to have expended in the promotion of this

enterprise and the negotiation of the contract."

Senator Bunker also asserted that the DPC is "now paying traveling expenses and salaries of forty-five officials of Basic Magnesium now in England studying the process."

At the same time, he added, the DPC is "paying the salaries of English technicians who are in America promoting the interests of their company."

Basic Magnesium, Inc., Senator Bunker continued, came into being last year as "a child of the fertile promotional brain of Howard P. Ellis, Jr., of Cleveland, president of Basic Refractories, Inc." The latter company, he explained, had established thirty-six mining claims on public lands in Nevada.

Went To English Firm
These claims, on which it had spent less than \$50,000, were transferred to Basic Magnesium, Inc., in return for a fifty-five per cent stock interest therein and constituted the sole contribution of Mr. Ellis's company to the subsidiary and Basic Magnesium's "sole asset," Senator Bunker asserted.

The remaining forty-five per cent stock interest in Basic Magnesium, he added, was given to Magnesium Elektron, Ltd., an English company, which was supposed, in return, to supply its knowledge of how to refine magnesite ore into magnesium.

It had a plant in Britain which has had to close for lack of ore and was operating it under a license obtained from Germany's I. G. Farbenindustrie.

Senator Bunker asserted that the British interests "do not own nor do they have the license to operate this process in the United States," the controlling American patents being jointly owned by the Aluminum Company of America and I. G. Farbenindustrie.

From
DEMOCRAT
Waterbury, Conn.
APR 10 1942

Federal Loan Administrator Jesse H. Jones Involved In Fight With Senator

Washington, April 10.—(UP)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D., Nev., were involved today in a dispute whether a magnesite plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, perpetrated the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and would repeat them in the Senate next week to give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statement made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected," he said.

Jones added that Bunker's speech contains "false and misleading statements which it takes no cour-

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CHARGES FEDERAL DEAL WILL ALLOW FIRM BIG PROFITS

Senator Bunker Denounces Contract Entered Into by RFC Unit and Magnesium Firm.

DECLARES ITS TERMS INDICATE MALFEASANCE

Jesse Jones Denounces Statement as "False" and Unworthy of a United States Senator.

Washington, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker, democrat, Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

Ohioan is named. If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

Claimed to Have Spent \$211,000.

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Bells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words, the government paid the corporation for promoting its officials out of \$63,000,000."

And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

Cost Cost at 70 Million.

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the office of production management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how,' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant, as well as the operators, are care-

fully . . . the work progresses."

Stock to English Firm.

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

The remaining 55 per cent of stock, he said, was held by basic refractories.

Last week Bunker read into the senate record a list of what he called "extortionate" salaries paid to 42 officials of Basic Magnesium, and said the firm stood to make a 4,280 per cent profit on an "admitted" investment of less than \$50,000.

Senator Thomas, republican, Idaho, congratulated Bunker on his speech and expressed hope he would not drop the matter.

"Those fellows who are looting the United States treasury," Thomas declared, "should not be investigated; they should be prosecuted, they should be jailed."

APR 10 1942

Magnesium Profiteering Charge Made

Senator Holds Defense Plant Corp. Entered Into 'Sinister' Contract With Cleveland Firm

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corp. had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker (D-Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corp. is a subsidiary of the Reconstruction Finance Corp. which, in turn, operates under the commerce department headed by Jones.

Bunker declared that the Defense Plant Corp. had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corp., I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corp. is giving \$63,000,000 to build a refinery at Las Vegas."

Prior to the formation of Basic

Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Bells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corp. to Basic Refractories.

"In other words the government paid the corporation for promoting its officials out of \$63,000,000. . . . And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the war department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

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From AGE-HERALD Birmingham, Ala. APR 10 1942

DEFENSE PLANT LOAN CRITICIZED

Bunker Claims 'Sinister' Profiteering In War; Charge Denied

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate Thursday by Senator Bunker (D. Nev.) and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation, which, in turn, operates under the Commerce Department headed by Jones.

Bunker said the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesium refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

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"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

Prior to the formation of Basic Magnesium, Inc. and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories.

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From NEWS & COURIER Charleston, S. C. APR 10 1942

FRAUD IS CHARGED IN U. S. CONTRACT

Bunker Says Corruption is Indicated by Magnesite Plant Deal in Nevada

Washington, April 9.—(AP)—A charge that the defense plant corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the senate today by Senator Bunker, Democrat, Nevada, and promptly was denounced by Jesse Jones as "false" and "unworthy of a United States senator."

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Explains Royalties

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

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From TIMES Watertown, N. Y. APR 10 1942

JONES IS FACING CHARGE OF FRAUD

SENATOR BUNKER DEMANDS PROBE OF WAR CONTRACT

LOAN CHIEF DENIES ACCUSATION

Dispute Rages Over Magnesium Plant Contract—Bunker Sees 'Betrayal of President and American People.'

Washington, April 10. (UP)—Federal Loan Administrator Jesse H. Jones and Sen. Berkeley L. Bunker, D. Nev., were involved today in a dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments of Charge. Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant Corporation, an R. F. C. subsidiary, and Basic Magnesium, Inc., of Cleveland, produced the fraud and demanded a "complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today that he based his criticism on testimony at western hearings of the senate defense investigating committee, and would repeat them in the senate next week to give Jones "a free ride."

Bunker's specific charges were that the D. P. C. negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4,280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones' Reply. Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. . . . the government's interest is fully protected," he said.

Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker said today that he made the same statements in Nevada. "I'll make them again," he said.

"As to the figures I quoted on the vast profits Basic Magnesium, Inc., could make, they are from the testimony given before the Truman committee when it was held in hearings out there."

"Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the senate next week."

From
NEWS
Savannah, Ga.
APR 10 1942

CHARGE OF FRAUD IS HURLED, DENIED

Jones Clashes With Senator
Over War Contract
PROBE IS DEMANDED
Administrator Says Bunker
Irresponsible

BY ARTHUR HACHTEN
WASHINGTON, April 9 (INS).—Senator Berkeley L. Bunker, Democrat, Nevada, and Federal Loan Administrator Jesse Jones clashed violently today over charges by the senator that the Defense Plant Corporation has made a "scandalous" contract for magnesium production.

After Bunker had said the DPC contract with Basic Magnesium, Inc., of Cleveland, Ohio, for a \$74,000,000 magnesium project near Las Vegas, Nev., would net that company a profit of 4.280 per cent in one year on a \$50,000 investment plus other unwarranted allowances, Jones bluntly replied:

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker in demanding a congressional investigation of the DPC had told the Senate:

"The data warrants the conclusion that the Defense Plant Corporation has entered into an agreement with the Basic Magnesium, Inc., that is so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

"The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation, which I demand."

Jones said nine separate contractors were participating in the magnesium project, and that "the fee to Basic Magnesium, Inc., for its engineering plans, supervision and know-how will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium to be produced (112,000,000 pounds of metallic magnesium), which is approximately two per cent of the estimated cost," Jones said, continuing.

"The royalty for the ores will not exceed one-fourth cent per pound of magnesium produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker reminded the Senate that the Truman-Senate committee had looked into this magnesium project and had found it heavily-laden with "waste of the taxpayers' money." Senator Thomas, Republican, Idaho, joined Bunker on the Senate floor in assailing the contract, saying:

"These are the things that are undermining the confidence of the people in the war set-up. We must prosecute these fellows who are looting the Treasury."

Bunker said that the DPC in putting up all of the money for the project had permitted to go into the contract "almost unbelievable expenditures of the taxpayers' money." He said the company is virtually guaranteed a profit, that royalties allowed for ore are exorbitant.

The senator said salaries of forty-two men in the project total nearly \$400,000 annually, reaching up to \$36,000 each.

He opened his attack by stating that "it is with sadness that we read that Bataan has fallen and two British cruisers have been sunk."

"This emphasizes that those individuals who have made unconscionable war profits are deserving of the utmost contempt," he exclaimed angrily.

Bunker said that if the magnesium contract represents a cross-section of conduct on the part of the DPC, he could come to only one conclusion:

"We are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering in the last war look like petty larceny."

From
NEWS
Chicago, Ill.
APR 10 1942

FLAMING VERBAL BOMBS LIGHT UP MAGNESIUM DEAL

'Untrue,' Jones Asserts;
'Free Ride Next Week,'
Senator Replies.

Washington, April 10.—(UP)—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, (D. Nev.,) today were involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the president and the American people."

Developments, which started yesterday, were these:

1. Bunker charged on the senate floor that an agreement between the Defense Plant Corp., an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced "a complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate Defense Investigating Committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4.280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Additional Charges.
He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. The government's interest is fully protected."

False and Misleading.
Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker said today that he made the same statements in Nevada.

"I'll make them again," he said.

"As to the figures I quoted on the vast profits Basic Magnesium, Inc., could make, they are from the testimony given before the Truman committee when it was holding hearings out there."

"Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the senate next week."

From
Wilmington, Del.
APR 10 1942

MAGNESIUM DEAL 'LIE,' SAYS JONES

Hits Bunker Charge of Profiteering in War Contract As 'False and Unworthy'

WASHINGTON, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Berkeley L. Bunker, Democrat, Nev., and promptly was denounced by Jesse Jones as "false and unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials of our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

'Eells' Brain Child'
Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye County, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"And remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

'Untrue,' Jones Declares
When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

From
VINDICATOR
Youngstown, Ohio
APR 10 1942

Jones Denies Huge Profits In Magnesium

Says U. S. Is Fully Protected in Negotiations for Nevada Plant

(By The United Press)
Washington, April 10.—Federal Loan Administrator Jesse H. Jones and Senator Berkeley L. Bunker, Democrat, Nev., today involved in dispute whether a magnesium plant contract perpetrated a "sinister fraud" constituting a "betrayal of the President and the American people."

Developments, which started Thursday, were these:

1. Bunker charged on the Senate floor that an agreement between the Defense Plant Corporation, an RFC subsidiary, and Basic Magnesium, Inc., of Cleveland, produced "a complete investigation."

2. Jones angrily denied the accusations, saying they were "untrue and irresponsible" and that "the government's interests are being fully protected."

3. Bunker returned today with the statement that he based his criticism on testimony at western hearings of the Senate defense investigating committee, and will repeat them in the Senate next week when he will give Jones "a free ride."

Attacks Contract
Bunker's specific charges were that the DPC negotiated a contract with Basic Magnesium for a \$63,000,000 plant at Las Vegas, Nev., which will enable the company to make a 4.280 per cent profit on an investment of \$50,000. He said "extortionate salaries" are being paid 42 Basic Magnesium executives and that the agreement was "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

He further charged that 45 per cent of Basic Magnesium's initial stock is held by a British concern, Magnesium Elektron, Ltd., which operates under a licensing agreement obtained from I. G. Farbenindustrie, giant German chemical trust.

Jones replied that the Nevada plant will cost \$70,000,000 and is being constructed by nine separate contractors with all construction fees aggregating "less than two per cent of the total cost."

Says U. S. Is Protected
"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker . . . The plant is wholly owned by the government and will be operated for its account . . . the government's interest is fully protected."

Jones added that Bunker's speech contains "false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker said today he made the same statements in Nevada.

"I'll make them again," he said.

"As to the figures I quoted on the vast profits Basic Magnesium, Inc., could make, they are from the testimony given before the Truman committee when it was holding hearings out there."

"Mr. Jones is a very big man, but he is no bigger than our war effort. I'll give him a free ride in the Senate next week."

From
REPUBLICAN
Springfield, Mass.
APR 10 1942

WAR PROFITEERING ON 'SINISTER' SCALE CHARGED IN SENATE

Bunker of Nevada Says Magnesium Firm Stands to Make Too Much — Jones Denies Allegations

Washington, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Berkeley L. Bunker, Democrat, Nev., and promptly was denounced by Jesse Jones as "false and unworthy of a United States Senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials of our government are guilty of malfeasance."

Mining Claims Transferred
If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

'Fair Margin of Profit'
"In other words, the government paid the corporation for promoting its officials out of \$211,000. . . . And finally, remember this! The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contractors and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium produced, which is approximately 2 per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

English Firm Gets Share
"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

Bunker, discussing what he termed the "international angle" of Basic Magnesium, said 45 per cent of the stock in the firm was given to Magnesium Elektron, Ltd., of England, which furnished a refining process obtained under a licensing agreement from the I. G. Farbenindustrie of Germany.

From
COURIER—JOURNAL
Louisville, Ky.
APR 10 1942

Jones, Bunker Clash Over Magnesium Deal

Washington, April 9 (INS)—Senator Bunker (D., Nev.) and Federal Loan Administrator Jesse Jones clashed violently today over charges by the Senator that the Defense Plant Corporation has made a "scandalous" contract for magnesium production.

After Bunker had said the D.P.C. contract with Basic Magnesium, Inc., of Cleveland, for a \$70,000,000 magnesium project near Las Vegas, Nev., would net that company a profit of 4.280 per cent in one year on a \$50,000 investment plus other unwarranted allowances, Jones bluntly replied:

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

Bunker Defends Statement.
Bunker immediately shot back: "Everything I said was brought out in a report of the Truman committee of the Senate following an investigation on the ground."

Bunker in demanding a Congressional investigation of the D.P.C. had told the Senate:

"The data warrants the conclusion that the Defense Plant Corporation has entered into an agreement with the Basic Magnesium, Inc., that is so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

Jones Denies Irregularities.
"The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation, which I demand."

Jones said nine separate contractors were participating in the magnesium project, and that "the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how' will aggregate less than 2 per cent of the total cost of the plant."

"The operating or management fee of the plant is to be one-half cent per pound of magnesium to be produced (112,000,000 pounds of metallic magnesium), which is approximately 2 per cent of the estimated cost," Jones said, continuing.

"The royalty for the ores will not exceed one-fourth cent per pound of magnesium produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

From
STAR
Indianapolis, Ind.
APR 10 1942

Jones Denounces Senator's Charge Of Profiteering by Magnesium Firm

Washington, April 9.—(AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesium firm was made in the Senate today by Senator Berkeley L. Bunker, (D. Nev.) and promptly was denounced by Jesse Jones as "false and unworthy of a United States senator."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented a "cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium, Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., of Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary magnesium firm development rights on 36 mining claims on the public domain in Nye county, Nevada, Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

When word of Bunker's assertions reached Jones, the latter issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

The plant, Jones declared, would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

FRAUD CLAIMED IN MAGNESIUM

Senate Hears Charges; Jesse Jones Brands Them Untrue

WASHINGTON, April 9.—(UP)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's defense plant corporation.

The charges were voiced by Sen. Berkeley L. Bunker, D., Nev., who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the firm stands to make a 4.280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other leading agencies, issued a formal statement denying Bunker's charges.

Agreement Sinister

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "... (his) statements are unworthy of a United States Senator and cannot go unchallenged."

Bunker described the agreement as "so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties," and said:

"The fraud that is being perpetrated by the defense plant corporation and Basic Magnesium is a betrayal of the president and the American people."

He said that if the agreement "represents a cross-section of conduct on the part of the corporation, I can come to only one conclusion: we are tolerating the existence of an agency of the government that is so corrupt that it would make profiteering of the last war look like petty larceny in comparison."

Nearly Half to Britain

Describing Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farben Industrie, the German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

"The American patents controlling the process are held by an American corporation, one half of the stock of which belongs to the Aluminum company of America and one-half of which directly or indirectly belongs to the German interests."

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money":

1. A "gift" of \$300,000 from DPC to the Cleveland firm for "supervising" the project over and above payments for salaries, wages, construction costs and profits.

Plant to Cost \$70,000,000

2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.

4. An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$280,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton or \$560,000 annually.

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than two per cent of the total cost."

"The operating or management fee of the plant," he said, "is to be one-half cent per pound of magnesium produced, which is approximately the two per cent of the estimated cost. The royalty for the ores will not exceed one-quarter cent per pound of magnesium metal produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker."

From
TIMES-UNION
Albany, N. Y.

BUNKER, JONES IN CLASH OVER PROFIT CHARGE

By ARTHUR HACHTEN
International News Service Staff

WASHINGTON, April 9.—Senator Berkeley L. Bunker (D-Nev.) and Federal Loan Administrator Jesse Jones clashed violently today over charges by the Senator that the Defense Plant Corporation has made a "scandalous" contract for magnesium production.

After Bunker had said the DPC contract with Basic Magnesium, Inc., of Cleveland, for a 70-million-dollar magnesium project near Las Vegas, Nev., would net that company a profit of 4.280 per cent in one year on a \$50,000 investment, plus other unwarranted allowances, Jones bluntly replied:

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity."

BUNKER REPLIES

Bunker immediately shot back: "Everything I said as brought out in a report of the Truman committee of the Senate following an investigation on the ground. As for Mr. Jones' insinuation that I took refuge in immunity given to speeches made on the Senate floor, I recall that I made similar charges in Nevada. I will answer Mr. Jones on the Senate floor Monday."

Bunker, in demanding a Congressional investigation of the DPC, had told the Senate:

"The data warrants the conclusion that the Defense Plant Corporation has entered into an agreement with Basic Magnesium, Inc., that is so sinister as to indicate that some officials of our government are guilty of malfeasance in the performance of their duties."

"The unusual political ramifications surrounding the writing of this contract warrant a complete investigation of the Defense Plant Corporation, which I demand."

JONES EXPLAINS

Jones said nine separate contractors are participating in the magnesium project and that "the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know-how' will aggregate less than two per cent of the total cost of the plant."

"The operating or management of the plant is to be one-half cent a pound of magnesium to be produced (112 million pounds of metallic magnesium, which is approximately two per cent of the estimated cost," Jones said, continuing:

"The royalty for the ores will not exceed one-fourth cent a pound of magnesium produced."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker. The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant as well as its operation are carefully audited as the work progresses."

THOMAS JOINS ATTACK

Bunker reminded the Senate that the Truman-Senate committee had looked into this magnesium project and had found it heavily laden with "waste of the taxpayers' money." Senator Thomas (R-Ia.) joined Bunker on the Senate floor in assailing the contract, saying:

"These are the things that are undermining the confidence of the people in the war setup. We must prosecute these fellows who are looting the treasury."

Bunker said the DPC in putting up all the money for the project had permitted to go into the contract "almost unbelievable expenditures of the taxpayers' money." He said the company is virtually guaranteed a profit; that royalties allowed for one are exorbitant.

PROFITEERING HIT

He opened his attack by stating that "it is with sadness that we read that Bataan has fallen and two British cruisers have been sunk."

"This emphasizes that those individuals who have made unconscionable war profits are deserving of the utmost contempt," he exclaimed angrily.

APR 10, 1942
ENID, OKLA. EAGLE

SENATOR ASKS PUBLIC QUERY ON MAGNESIUM

Demand Comes After Jones Bitterly Assails His Charges

WASHINGTON, April 10.—(NS)—Senator Berkeley L. Bunker, D., Nev., today demanded an early and complete public investigation of a \$70,000,000 magnesium plant being constructed in Nevada with government funds.

Bunker made his demand after RFC Chairman Jesse Jones bitterly assailed the senator for alleging that "frauds" are being perpetrated by the Defense Plant Corp., an RFC agency, and the Basic Magnesium Corp., builders of the plant.

Stung by Bunker's continued charges against the Defense Plant Corp., Jones criticized the senator for making "false and misleading statements... unworthy of a United States senator."

He Doesn't Know

Refusing to back down, the Nevada senator, who is serving the unexpired term of the late Senator Key Pittman, retorted that Jones "evidently doesn't know what is going on in his own organization."

Urging the Truman defense investigating committee to speed public hearings on the matter, Bunker said he would further answer Jones on the senate floor Monday.

The Nevada charged that the contract with basic magnesium, an American-English owned firm which plans to extract magnesium from public land, is one of "the most scandalous stories of war profiteering that has ever come to the attention of the Truman committee."

The firm, he said, stands to make a profit of 4.280 per cent, by putting up only \$50,000 of the cost of the \$70,000,000 project.

Jones Was Aroused

Jones was aroused by Bunker's declaration that "We are tolerating an agency of the government (Defense Plant Corporation) that is so corrupt that it would make profiteering in the last war look like petty larceny by comparison."

"The senator must know that these statements are untrue," said Jones, adding that they were made under cloak of congressional immunity.

Bunker maintained that his charges were fully confirmed by a report of the Truman committee

From
COURIER-EXPRESS
Buffalo, N. Y.

Jones Denies Magnesite Plant Fraud

Bunker Calls Contract 'Sinister' Profiteering

Washington, D. C., April 9 (AP)—A charge that the Defense Plant Corporation had entered into a "sinister" war profiteering contract with a Cleveland magnesite firm was made in the Senate today by Senator Bunker (Dem. Nev.) and promptly was denounced by Jesse Jones as "false."

The Defense Plant Corporation is a subsidiary of the Reconstruction Finance Corporation which, in turn, operates under the Commerce Department headed by Jones.

Plant Costs \$63,000,000

Bunker declared that the Defense Plant Corporation had agreed to lease a \$63,000,000 magnesite refinery at Las Vegas, Nev., to Basic Magnesium, Inc., on terms "so sinister as to indicate that some officials in our government are guilty of malfeasance."

If the agreement, he added, represented "a cross section of conduct on the part of the Defense Plant Corporation, I can come to only one conclusion: We are tolerating the existence of an agency of the government that is so corrupt as to make profiteering in the last war look like petty larceny by comparison."

Bunker said Basic Magnesium,

paid the corporation for promoting its officials out of \$63,000,000.

"And finally, remember this: The product of the plant is not to be furnished the government at cost. The contract provides that the product shall be sold at a reasonable price designed to yield a fair margin of profit."

Jones Terms Charge False

Jones later issued a statement saying the speech contained "false and misleading statements" which Bunker "must know are untrue" and which took "no courage to make under his cloak of immunity."

Jones said the plant would cost about \$70,000,000, would have an estimated annual capacity of 112,000,000 pounds of metallic magnesium, was contracted for at the request of the Office of Production Management and the War Department, and "the government's interest is fully protected."

"Nine separate contractors are participating in the construction," Jones said. "The fees to be paid these nine contracting and engineering firms, together with the fee to Basic Magnesium, Inc., for its engineering plans, supervision and 'know how' will aggregate less than 2 per cent of the total cost of the plant."

Inc., was a child of the "fertile promotional brain" of Howard P. Eells, Jr., Cleveland, president of Basic Refractories, Inc.

Basic Refractories transferred to the subsidiary development rights on 36 mining claims on the public domain in Nye County, Nev., Bunker said, adding:

"These claims, on which Basic Refractories admittedly expended less than \$50,000, represented the sole asset of Basic Magnesium, Inc., the corporation to which the Defense Plant Corporation is giving \$63,000,000 to build a refinery at Las Vegas."

Firm Spends \$211,000

"Prior to the formation of Basic Magnesium, Inc., and prior to the signing of the contract, Basic Refractories claimed to have expended in the promotion of this enterprise and the negotiation of the contract, the sum of \$211,000. This no doubt includes Eells' numerous trips to Washington and entertainment at the Mayflower Hotel. This sum is now being repaid by the Defense Plant Corporation to Basic Refractories."

"In other words the government

From
JOURNAL-GAZETTE
Ft. Wayne, Ind.
APR 10 1942
468

SINISTER FRAUD ON U. S. BY OHIO FIRM IS DENIED

Secy. Jones Refutes Senator's Charge Of Contract Profiteering

WASHINGTON, Apr. 9.—(UP)—The senate today heard charges—promptly branded as "untrue and irresponsible" by Secretary of Commerce Jesse Jones—that a "sinister fraud" had been perpetrated on the public and President Roosevelt by Basic Magnesium, Inc., Cleveland, and the government's defense plant corporation.

The charges were voiced by Sen. Berkeley L. Bunker (Dem.) of Nevada, who bitterly denounced an agreement between the corporation, an RFC subsidiary, and Basic Magnesium for a government "grant" of \$63,000,000 for construction of a magnesite refinery at Las Vegas, Nev.

Charging the firm stands to make a 4.280 per cent profit within a year on an investment of only \$50,000 and that "extortionate salaries" are being paid to 42 of its executives, Bunker demanded a "complete investigation" and that the refinery contracts be rewritten immediately.

Jones, who operates DPC and other RFC leading agencies, issued a formal statement denying Bunker's charges.

"Senator Bunker's speech contains false and misleading statements which it takes no courage to make under his cloak of immunity," Jones said. "... (his) statements are unworthy of a United States senator and cannot go unchallenged."

Bunker's Startling Charges

Bunker described Basic Magnesium's organization as "startling in its ramifications," he said that 45 per cent of its initial stock went to a British concern, Magnesium Elektron, Ltd., which furnished data on the refining process to be employed at Las Vegas. The British firm, he said, operated under a licensing agreement obtained from I. G. Farbenindustrie, the German chemical trust.

"There is a serious question as to the contribution of Magnesium Elektron, Ltd., to the process," he continued, "since they do not own, nor do they have the license to operate this process in the United States."

Then, turning to the agreement with DPC, he listed "some interesting and almost unbelievable expenditures of the taxpayers' money":

1. A "gift" of \$300,000 from DPC to the Cleveland firm for "supervising" the project over and above payments for salaries, wages, construction costs and profits.
2. Payment by DPC of "traveling expenses" for 45 Basic Magnesium officials now in England studying the British production process, and the salaries of English technicians in this country "promoting the interests of their company."

3. A provision under which DPC would pay \$1,000,000 to the Cleveland firm if the Nevada plant should be sold to any other concern.
4. An agreement now is being negotiated for payment by DPC of a \$1-per-ton royalty or \$280,000 annually for all ore mined. It also would require DPC to pay all mining, milling and hauling costs. If the plant were sold to an outside concern, the royalty payment would be increased to \$2 a ton or \$560,000 annually.

Jones said in his statement that the Nevada plant will cost \$70,000,000 and is being constructed by "nine separate contractors," and that all construction fees would "aggregate less than 2 per cent of the total cost."

"No irregularities have been discovered in the construction of the plant that would warrant the irresponsible statements made by Senator Bunker," he said.

"The plant is wholly owned by the government and will be operated for its account. All expenditures in connection with the construction of the plant, as well as its operation, are carefully audited as the work progresses."

"Defense plant corporation contracted with Basic Magnesium, Inc., for the construction of this plant at the request of OPM and the war department and the government's interest is fully protected."

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Some U. S. Firms Heiled Profits—and Hitler

OUR war effort has been dangerously crippled because some of our large corporations have divided their allegiance between their own nation and huge international empires of monopolies which set up a world business government of their own.

In the case of United States corporations the motive has been profits, but the German corporations, under close government control, have used their position in these business governments to hamper war production in the United States and to keep tab, by patent royalty figures, on our war production.

Protection of profits and investment has led at least one large American corporation—Standard Oil of New Jersey—into relations with a German corporation which Senator Truman has called "treason." Assistant Attorney General Thurman Arnold says such practices are the rule rather than the exception in certain vital war materials industries.

Dividends First

That is the substance of the involved stories about cartels and patents and bunas and isobutylene and butadiene and I. G. Farbenindustrie and the like that have been coming out of Washington the last few weeks.

Standard Oil, which gave the government only such information about synthetic rubber as it found fitting, was not alone among the firms the Truman defense investigating committee, in its probe of the rubber shortage, found could not see Hitler behind the dividend checks.

Jesse Jones, squirming to avoid any share of the blame for the shortage, said the British-Dutch rubber cartel wouldn't give him all the rubber he wanted for a stockpile because they feared it might force the artificially-pegged price down after the war.

They kept the price up but they lost their plantations to the Japanese, to whom they sold rubber at the time they were not filling U. S. orders, and now Britain is dependent on the United States for its war rubber.

Catch the Bigwigs

There has been a disposition among some of the conservative press to pooh-pooh the evidence against Standard along these lines: the company was just following normal business practices and who foresaw that our rubber supply from the East would be cut off? To this latter point there may be some merit, there are shadowy indications that the British may have told our government

Their first allegiance was to huge international monopolies, Washington hearing reveals, which gave the Nazis royalties and production figures

By SAM BRIGHTMAN The Courier-Journal Washington Bureau

that they would be able to hold Malaya throughout the war.

But the other side of the coin is well described in an article by Charles Benedict in a recent issue of the "Magazine of Wall Street."

"Events of the past three years of war," he writes, "have taught us that the strongly entrenched fifth column in the U. S., as in the rest of the world, is dominated by powerful industrial interests. . . . To cut out our fifth column cancer, we have got to catch the bigwigs, whose interests are international in scope, and whose power hinders the effectiveness of governmental activities—balefully influences the press by bringing confusion as to the issues of the war—and encourages disorganizing labor disturbances through its illicit relationship with corrupt and power-seeking labor leaders; as we have seen, these dominating interests are closely tied up with those others controlling economic life in every country the world over.

"In Germany the attempt to prevent paper losses from turning into actual losses led fight into the Nazi camp in Britain. Men of far-flung holdings, in their effort to protect their vast properties, have crippled the power of the British Empire. Here failure to apply the scorched earth policy to the Rumanian oil wells gave Germany the wherewithal for her mechanized war machine. And in our own country, the fifth columnists are to be found in a controlling group allied with such interests. They are the business-as-usual group. . . . They imperil our efforts in this crisis."

The Quickest Solution

Benedict thinks the quickest solution to this is action by stockholders to remove corporation heads of this stripe, a move that is also loudly urged by the newspaper, PM, which has specifically called on Standard Oil stockholders to revolt against the leadership which had that company dealing with Germany.

The basic facts of the case against Standard are these: In 1929 it entered into a patent trade with the I. G. Farbenindustrie, German dye and chemical trust, in which the

two firms traded patents and agreed to share information. The general aim of the trade was to give Standard a world monopoly in oil and synthetic gasoline and I. G. Farben a monopoly in chemicals.

As a result of this trade, Standard got information from I. G. Farben about its synthetic buna rubber, although this information appears to have been incomplete in recent years.

Standard, in turn, gave Farben information about its own butyl synthetic rubber, although this information was not made available to American companies or to the government in full until Standard signed a consent decree to avoid anti-trust prosecution.

Standard also had, according to Arnold, cartel obligations to the du Pont Company, at present the sole producers of neoprene synthetic rubber.

War Wasn't to Interfere

In 1939, Standard made a new pact with I. G. Farben, and Standard's representative wrote, "We did our best to work out complete plans for a modus vivendi which would operate through the term of the war, whether or not the U. S. came in."

Arnold said Standard's motive was not to help Hitler, but to maintain monopoly here, and that is about the strongest point W. S. Farish, president of the company, made when he appeared before the Truman Committee to deny all and rush off on tangents when the committee members pinned him down to specific memoranda.

Then Secretary of Commerce Jones, never described as an enemy of big business, said that in his efforts to build up a synthetic rubber industry he had "every difficulty imaginable" over patents with Standard, and that not until twelve days after Pearl Harbor did Standard make the buna patents available to other companies on a royalty basis. The butyl patents were withheld even then, but were later released by the consent decree which also took the royalty off buna.

But Jones also revealed that Standard still gets most of the raw materials business

in the synthetic rubber setup and is the only company with butyl contracts. And du Pont is the only company with neoprene contracts.

They Couldn't Miss

Thus the monopoly companies still will be in a dominant position after the war when they will have first chance at buying the plants which the defense plant corporation is building for them and paying them fees to operate. It would be difficult for a newcomer without the "know-how" to operate the plants successfully, even with the details of the patents available.

Cartels had their effect on our production of another vital war metal, magnesium, which is especially important in airplane manufacture because of its lightness. Last week Leo T. Crowley, alien property custodian, took over the foreign stock of the Magnesium Development Corporation, of New York, organized jointly by the Aluminum Company of America and the I. G. Farbenindustrie, which hold vital patents.

The war effort has been severely handicapped by shortages of both aluminum and magnesium. The plant seizure, which would remove German control of the patents, is said to be the forerunner of the filing of a consent decree against Alcoa to end another patent-pooling agreement between an American firm and the German company.

The same day Senator Bunker (D., Nev.) assailed the Jones-controlled defense plants corporation for a contract between it and the Basic Magnesium, Inc., of Cleveland, to build a magnesium plant at Las Vegas, Nev.

How the Money Rolls In

Bunker charged the company will realize a 4,280 per cent profit on an investment of less than \$50,000. He said the details of the contract are so sinister "as to indicate that some officials of our government are guilty of malfeasance." Jones made a heated denial to the charges. There's a cartel angle here, too. Basic Magnesium used the patents of Magnesium Elektron, Ltd., of England, which has a magnesium licensing agreement for England from I. G. Farbenindustrie, which should be an old friend of yours by now. Magnesium Elektron got 45 per cent of the Basic Magnesium stock for furnishing its refining knowledge, although the American rights to this are owned by the Alcoa subsidiary.

Among the other peculiarities Bunker mentioned in this arrangement, in case you are not yet sufficiently confused, was that Basic Magnesium is to get \$1,000,000 if the government sells the plant to some other company, but Basic Magnesium gets first chance to buy it. After it builds the plant it gets \$560,000 to operate it and \$1 a ton royalty on its ore, although a defense plant corporation pays all milling costs. Basic Magnesium is under no obligation to repay any money paid out by the government and, finally, after all of these fees, the company

will sell its products not at cost, but at a "reasonable price."

And so magnesium follows the synthetic rubber pattern—delay in production by companies seeking to keep a monopoly stemming from a German patent while royalty figures kept the Nazis apprised of production records, then government-built plants which will revert to patent-holding firms after the war.

Under the Farben-Alcoa deal, U. S. production of magnesium was limited to 4,000 tons a year and shipments to England to 300 tons. At the time of the war, Dow Chemical Company was the only firm permitted to make magnesium.

Alcoa, of course, wanted to control magnesium because it was a dangerous com-

petitor of aluminum. Result of the monopoly was that the government, in its haste to try to increase production, stumbled into an arrangement like the Las Vegas deal exposed by the Truman Committee and denounced by Bunker.

In the field of aluminum itself, incidentally, Alcoa was tied in with a world cartel, which included the German aluminum monopoly, through a Canadian subsidiary, Thurman Arnold says this was responsible for our lag in aluminum production, while Germany increased its production to more than ours.

Arnold says the same sort of situation existed in the field of tungsten carbide, optical instruments, dyes and chemicals, and a string of other vital war materials.



He Uses His Share of a Deal
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From
COURIER-JOURNAL
Louisville, Ky.
APR 12 1942

