

1998

## Wallgren Calls Manganese Meet

Western magnesium hearings by the light-metals sub-committee of the Truman national defense investigating committee will be held in Spokane and a tentative date of March 14 has been set by Senator Mon C. Wallgren, sub-committee chairman.

"The committee desires to learn why production from western magnesium ores have been delayed," Senator Wallgren said. "The vital war need for this lighter than aluminum metal makes it necessary that everything possible be done to speed production. This is especially important to Washington State, which has so much high grade ore and because the light metals will be of tremendous importance after the war."

The Truman investigating committee was the first agency to "spotlight" the approaching aluminum shortage last year. The wisdom of the committee's action in insisting that prompt steps be taken to enlarge ingot capacity is now generally recognized. Wallgren has been a member of the investigating committee since its start, but was just recently named its light-metals chairman.

"A number of magnesium reduction processes are being tried," the Senator said, "but I believe special consideration should be given to the oil process developed at Washington State College. Preliminary information indicates that this process can produce magnesium at a reduced cost per pound. The oil cooling method of the Washington State College is said to reduce danger from explosion. A full discussion of these and many other points will help the federal government reach a logical conclusion as to the best method for both the present and the future."

## Our Opportunities In Metals

THE Truman committee of the United States senate is returning to this state soon to inquire into reasons for delay in production of magnesium metal.

Meanwhile an opportunity is developing to make use of another metal of immense importance in war industries.

This metal is manganese. Large deposits, principally of low grade ore, occur in the Olympic Peninsula.

The opportunity to develop these manganese deposits comes from two sources.

Manganese, essential in production of modern steels, is one of the metals which normally are imported because they can be produced more economically from high grade deposits in other countries, in this case Russia.

But because of the difficulties incident to war shipments, Secretary of the Interior Ickes recently submitted a program proposing large scale development of a long list of strategic and critical metals, including manganese, in this country.

Incidentally the United States bureau of mines has perfected a new process for the production of electrolytic manganese, which makes the Washington deposits of particular interest in connection with this state's store of electric energy.

Before Washington ore can be subjected to electrolysis, however, preliminary reduction is required. And this is where the second opportunity comes in.

Dean Drucker of the Washington State College school of mines is proposing development of a continuous acid leaching process applicable to the Olympic Peninsula ores. He is expected to bring the project before the state planning council at a session planned by that body for this month, asking financial support to carry on required experimental work.

We have every hope that the planning council will give Dean Drucker's proposal the consideration it so richly deserves. The magnesium project, carried on jointly by state and federal experts at Washington State College, promises to give this state one of its most important new industries. And manganese may prove even more important, because it is associated with the steel industry, which this section also has high hopes of developing some day.

Magnesium is the light metal, one-third lighter than aluminum, which can be produced from the magnesite deposits of Eastern Washington.

Manganese is a metal used in hardening steel. And magnetite is an iron ore, which may be brought into this region, to be used in connection with domestic coking coal and limonite, to provide the steel that will be hardened by the use of manganese.

The Washington state planning council has the opportunity to further the manganese portion of the program under the proposal of Dean Drucker.

And much broader vistas of opportunity for large scale metallic developments are offered by the Ickes program. Its immediate aim is support of our war effort. Beyond that lie almost limitless possibilities for permanent industrial growth for the Pacific Northwest.

## Wallgren Asks Quick Evacuation of Aliens

Speedy evacuation of enemy aliens and any others the army deems it necessary to move from strategic defense zones on the Pacific Coast was urged yesterday in Seattle by Washington's junior senator, Mon C. Wallgren.

The senator, who has just returned to his home state on important congressional business, said he favored "quick action in the matter for the good of the war effort."

Wallgren was chosen chairman of a subcommittee of the West Coast congressional delegation which recommended that the President act to protect Western military installations, power plants, dams, aqueducts, bridges and other properties by creating strategic zones.

### WANTS ACTION QUICK

"The evacuation can't come too quickly to suit me," he said. "We can't consider ourselves safe from sabotage until the aliens and certain others the army thinks ought to get out are removed."

Wallgren revealed that he has two new jobs as a member of the Truman committee, which is investigating production of arms and other necessities in waging war. One is the chairmanship of the committee's light metals division,

and the other the chairmanship of the aircraft production division.

The metals division will open hearings in Spokane Monday to determine the quantity and quality of certain metals available in the Northwest which are badly needed by war industries. Later his aircraft group will make a tour of aviation plants to track down bottlenecks that may be impeding construction, and to determine whether the plane builders are ahead or behind other nations in the use of magnesium.

### NAZIS USING MAGNESIUM

"It is my understanding that Germany is creating dive bombers of great strength by using 85 per cent magnesium," Wallgren said. "We want to be sure America isn't lagging in that respect."

The proposed new magnesium and aluminum plants near Spokane will give impetus to the development of mining in this state, the senator declared.

"Our committee, which will meet in Spokane next week wants to find out how much magnesite ore is available, and how good it is. We also will make inquiries and hear testimony concerning the use of clay from Western hills in the production of aluminum."

## Wallgren Sets Date For Metals Hearing

Senator Mon C. Wallgren, chairman of the light-metals subcommittee of the Truman national-defense investigating committee, tentatively has set March 14 for the opening of hearings in Spokane on Western magnesium ore production.

The senator said his committee is much interested in an oil-cooling method developed at Washington State College.

"A full discussion of this and many other points will help the federal government reach a logical conclusion as to the best method for both the present and the future," Senator Wallgren said.

## SENATE TO HOLD HEARINGS ON WESTERN MAGNESIUM DEPOSITS IN THIS STATE

Western Magnesium hearings by the light-metals subcommittee of the Truman national defense investigating committee will be held in Spokane and a tentative date of March 14 has been set by Senator Mon C. Wallgren, subcommittee chairman.

"The committee desires to learn why production from western magnesium ores has been delayed," Senator Wallgren said. "The vital war need for this lighter-than-aluminum metal makes it necessary that everything possible be done to speed production. This is especially important to Washington State which has so much high grade ore and because the light metals will be of tremendous importance after the war."

The Truman investigating committee was the first agency to "spotlight" the approaching aluminum shortage last year. The wisdom of the committee's action in insisting that prompt steps be taken to enlarge aluminum ingot capacity is now generally recognized. Wallgren has been a member of the investigating committee since its start but was just recently named its light-metals chairman.

"A number of magnesium reduction processes are being tried," the Senator said, "but I believe special consideration should be given to the oil process developed at Washington State College. Preliminary information indicates that this process can produce magnesium at a reduced cost per pound. The oil cooling method of the Washington State method is said to reduce danger from explosion. A full discussion of these and many other points will help the federal government reach a logical conclusion as to the best method for both the present and the future."

## FUNDS SOUGHT FOR CONTINUATION OF DEFENSE INQUIRY

WASHINGTON, Jan. 16 (UP)—The senate committee investigating defense today asked for an additional \$100,000 appropriation so that the taxpayer may be assured of "100 cents worth of defense for every dollar spent."

Chairman Harry S. Truman, democrat, Missouri, said in an interview that "there still remains much work which is very essential to the investigation." Members were particularly impressed with a section of the report dealing with the quality of American warplanes, and another revealing that "staggering" fees had been granted to private shipyards.

Senator Arthur H. Vandenberg, republican, Michigan, wanted to know what happens to a man who is responsible for the payment of such fees.

"Usually he is promoted," Truman replied.

After Truman said this was so in the instance referred to in his report, Vandenberg said such a man should be "demoted or put in jail."

## STATE ORE TO BE USED SOON

Donald Olson, chief of war production, soon will make full use of Washington's deposits of magnesium ore, United States Senator Mon C. Wallgren said today.

As chairman of the subcommittee on light metals of the Truman committee, Senator Wallgren will hold hearings at Spokane to determine whether the dolomite deposit near the Canadian border or the magnesite deposit near Chewelah, Stevens County, is the richer in the desired metal.

"Congress has appropriated the money for the magnesium plant and we have only to decide upon the process and upon the quality of ore deposits," Senator Wallgren said.

"We shall also look into the production of aluminum from Washington clays before returning to the capital."

"I have a few tasks to perform on this side of the mountains which deal with bottlenecks in war production. Following the hearings at Spokane we shall visit war production centers in California and the new aluminum plant at Las Vegas, Nev. That plant is ready to go into production, I am informed."

## Defense Inquiry Fund Is Granted

WASHINGTON, Jan. 23 (UP)—The senate today voted \$60,000 for continuation of its special investigation of defense.

Senator Harry S. Truman, democrat of Missouri, chairman of the special investigating committee, had asked for \$100,000 but the senate committee on audit and control reduced the amount. The committee received \$40,000 last year.

Senator Scott W. Lucas, democrat of Illinois, said there was no intention of curtailing the inquiry. He said that if the committee later felt it needed more money, the audit and control group would "lend a sympathetic ear."

## Doerner Magnesium Recovery Method Given Consideration at Spokane

SPOKANE, March 9.—(UP)—The Truman senatorial light metals committee today inquired into steps necessary to develop the Doerner method of recovering magnesium from magnesite into commercial production.

The method has been developed by H. A. Doerner, metallurgist in charge of the U. S. bureau of mines unit at Pullman.

Doerner was called before the committee this morning, and told members that a commercial unit of his process is needed in a producing plant to perfect minor details.

The statement that the ferro-silicon-magnesium process—which is to be used in the Spokane magnesium plant—is no more advanced commercially than the Doerner process was made by Ray Miller, metallurgist and senior industrial engineer for the Bonneville administration. Miller said he did not think the Doerner process had been given a fair trial.

Doerner's invention is an electro-thermal process, utilizing carbon in the form of powdered coke as a reducing agent and oil as a cooling medium.

## Washington in Line for Magnesium Plant

(D. J. of C.—Mar. 11, 1942)

Seattle.—Washington's deposits of magnesium will be put to full use shortly by Donald Nelson, chief of war production, according to Senator Monrad C. Wallgren, chairman of the subcommittee on light metals of the Truman committee.

Senator Wallgren will hold hearings at Spokane to determine whether the dolomite deposit near the Canadian border or the magnesite deposit near Chewelah, Stevens county, is richer in the desired metal.

Congress has appropriated the money for the magnesium plant and we have only to decide upon the process and upon the quality of ore deposits," Senator Wallgren said.

## Rubber Probe Due in April, Say Senators

Committee in S.F.  
Reveals Quiz; Seeks  
Data on Production

By WESLEY E. ROBBINS

Responsibility for the rubber shortage in the United States will be fixed and means of alleviation studied by a Senate committee hearing in Washington, D.C., on April 6. This was revealed today by members of a subcommittee which opened hearings in San Francisco into serious aspects of the defense production situation.

The subcommittee side-stepped, for the time being, the matter of Bay Area shipyard production, but promised it would return here in a few weeks to delve into that and related subjects.

### TO GET FULL FACTS

Speaking of the impending rubber probe at a press conference preceding the San Francisco session, Senator Mon C. Wallgren, of Washington, subcommittee chairman, declared:

"The public should have the full facts—something they have not had to date.

"The committee feels that Jones (Jesse Jones of the RFC) had sufficient time and money to have shown foresight in meeting the situation."

To be summoned to the April 6 inquiry, he said, will be Secretary Cordell Hull, Jones, Edward Stettinius, William Batt of the War Production Board, U.S. Attorney Thurman Arnold and officials of the Standard Oil and various rubber companies.

### QUIZ SCOPE ENLARGED

The subcommittee came to San Francisco with the primary purpose of investigating conditions in the light metals and aviation industries, but was persuaded to enlarge the scope of the hearings by Senator Sheridan Downey.

As a result, Downey is sitting in with the committee and directing some of the presentation relative to National defense matters.

After spending the morning listening to John Reber expound his plan for a \$200,000,000 development of San Francisco Bay, the subcommittee said it would turn this afternoon to a study of the fishing industry, with George P. Miller, executive officer of the State Fish and Game Commission, as principal witness.

Under scrutiny will be the need for continuance of the fishing industry to supply food demands, deferment of trained fishermen and protection of the fishing fleet by naval craft.

### FIRE HAZARD TOMORROW

Tomorrow the committee hopes to take up the question of fire hazard in forests and grain fields of the State, and will then adjourn to Salinas to investigate the guayule rubber development. It will then go to Las Vegas to inspect the magnesium situation, leaving Downey to prepare further material on the local defense situation, and will return here about the end of the month for four or five days of hearings on shipyards and the industrial situation in general.

Under the plan presented to the committee this morning by Reber, a 2000-foot-wide solid causeway would be constructed across the Bay from San Francisco to Alameda County and a 600-foot-wide solid causeway would be constructed between San Quentin and Richmond, creating fresh water lakes at the upper and lower ends of the Bay.

The two lakes would be connected by a channel, with ship movements between the lakes and the Bay proper apparently through a system of locks.

Preliminary development, Reber estimated, would cost approximately \$120,000,000.

In early questioning, he did not make immediately clear the defense aspects of his plan.

## Senators Talk Fire Protection

By WESLEY E. ROBBINS

The Truman committee of the United States Senate, here to investigate the situation concerning light metals and their relation to the defense industry and National defense program, got sidetracked again today.

Forest and farm protection against fire was the subject under discussion as the committee, opened the second day of hearings at the Postoffice Building in San Francisco. Sen. Mon C. Wallgren of Washington is chairman of the subcommittee. He is accompanied by Senators Harley M. Kilgore and Joseph H. Ball, Sen. Sheridan Downey of California is attending the session by invitation.

The fire protection discussion was introduced by Senator Downey to whom the committee has already extended a generous measure of senatorial courtesy, at the expense of hearing testimony on subjects with which the committee is primarily concerned.

### GREENSLADE KILLS IT

At yesterday's session, Downey brought up the San Francisco Bay development scheme flattered by John Reber. Some encouragement to the scheme was given by a few amateurs, but when Adam John W. Greenslade put thumbs down on it, Senator Wallgren halted further testimony.

"In the present situation I should hardly say that we should venture into such a project," was Greenslade's mild summing up of the plan which is in a spot with the Florida ship canal and the ill-fated Passamaquoddy scheme in Maine.

Downey then led the committee through other discussions, including the California State Guard, and sardine fishing off the California coast.

### EXECUTIVE SESSION

It was late in the afternoon before the committee had an opportunity to hear a witness of their own choosing. And then it was in executive session behind closed doors.

Henry J. Kaiser, president of the Permanente Corporation, had a talk with the committee for about half an hour concerning magnesium, one of the all important metals in the aircraft industry.

Wallgren had previously indicated the committee would conduct hearings in Las Vegas, Nevada, where a large magnesium plant is situated.

### GO TO SALINAS

At the conclusion of the hearing today the committee will go to Salinas, where they will look into the guayule situation and make a tour of one of the rubber projects now under way. Maj. Evan W. Kelley, director of the forestry service program under which guayule is being raised, will explain and demonstrate the process to the committee members.

Following two weeks in the south, the committee will return to San Francisco for more hearings on subjects which will be developed by Downey.

## FISH INDUSTRY CRISIS TOLD AT PROBE

Laying the fate of the sardine to the laity abilities of the hen, Senator Sheridan Downey today told the Truman subcommittee probing bay area war effort, that an imminent crisis in the fishing industry will have a grave effect on California egg production.

Only the chairman of the sub-group, Senator Mon C. Wallgren (D., Wash.), was present at today's session, which adjourned before noon to permit him to inspect the big magnesite plant at Permanente and to

### SECRET PROBE SET

The other two committeemen, Senators Joseph H. Ball and H. M. Kilgore, spent the morning inspecting the shipyards at Richmond.

A secret investigation of reports of "soldering" and mismanagement in the bay region's shipbuilding industry was delegated by the group to its thirty-six man staff of investigators to determine if a formal inquiry, in about three weeks, is warranted.

Senator Wallgren said he felt the "whole thing could be worked out with continuous night and day operation and employer co-operation."

Senator Downey, in a dissertation on the fish and hen mutual setup, explained to Senator Wallgren that commercial fishermen's operations have been restricted and their boats seized by the Navy for patrol duty.

### HOW IT WORKS

He explained that fishmeal comes from sardines, that chickens eat fishmeal; ergo, if fishermen can't get sardines, hens can't get fishmeal and eggs will fall off about 60 per cent.

"If we don't get sardines," Senator Downey stated, "we face an almost total collapse of the egg industry."

To cut the hearing short, Wallgren ordered a group of experts on hand to testify on the fish industry to file briefs.

He also heard witnesses ask for greater protection against forest fire hazards this coming summer.

### MALONE HEARD

In its first day's session, the subcommittee dipped into the Reber lakes-in-the-bay plan, waded into the fish problem and heard General Paul B. Malone, U.S.A., retired, advocate state guards drawn from the federal selective service list.

General Malone, declaring he was appearing as chairman of a California State Guard committee, a voluntary group, said the California situation particularly was serious, with only about 5,000 guardsmen on duty instead of the 20,000 which he felt were needed.

## Truman Committee Hears Testimony on Shipyards, Permanente and Poultry

By EARL C. BEHRENS

Members of the Truman senatorial committee investigating national defense problems, heard expert testimony here yesterday ranging from the building of ships to the threatened 70 per cent reduction in the California egg production because of the war's interference with the fishing industry.

Poultry industry representatives presented testimony that "egg laying will fall off possibly as high as 70 per cent if the poultrymen do not have a sufficient supply of fish meal for their hens."

Curtailling of operations of the sardine fishing fleet because of a lack of boats and possibly of labor will vitally affect the poultry industry, Senator Sheridan Downey declared.

He said egg production in California and elsewhere "depends on the utilization of fish meal." Downey had a number of poultry industry spokesmen on hand to back up his statements.

### PERMANENTE PLANT

From an inspection of the Todd California Shipbuilding plant at Richmond, members of the Truman committee journeyed to the Permanente plant near Los Altos to inquire into the production of magnesium there.

Interspersed between hearing witnesses and making plant inspections the Senators comprising the subcommittee, which concluded a two-day hearing here yesterday, discussed San Francisco area defense matters with Lieutenant General DeWitt, Rear Admiral Greenslade and other officials.

Chairman Mon C. Wallgren of Washington said the subcommittee may return here later for a more detailed inquiry into the shipbuilding operations.

While Wallgren was conducting the hearing yesterday morning at the Postoffice Building, his colleagues, Senators Ball of Minnesota and Kilgore of West Virginia, paid a visit to the Todd shipbuilding yards in company with Henry J. Kaiser of the Todd Corporation.

### KAISER PRAISED

Wallgren paid high compliment to Kaiser. He said Kaiser had informed the Senators that he was having "no labor difficulties" and "knew of no slowdown in work at his plants."

The Washington Senator said the question of whether workers should put on an 8 or 10-hour shift was discussed. Wallgren said he believed the best results would be obtained from "8-hour shifts around the clock."

Wallgren said there was nothing "definite about future San Francisco hearings," but if his investigators report the necessity of further sessions here, some of the committee would return in a few weeks.

Today the Senators will visit Salinas to inspect the guayule industry development as part of their inquiry into the future rubber supply for the Nation. Then they will go to Los Angeles for a series of meetings there, primarily concerned with the aircraft industry.

The subcommittee which has been meeting here is principally con-

cerned with the subjects of light metals and aviation. But at the request of Senator Downey, testimony was taken on the situation existing in the fishing industry.

Creation of a war fisheries board modeled after the War Shipping board, to act as a clearing house for the fishing industry, was proposed to the Senators by George P. Miller, executive secretary of the State Fish and Game Commission.

He said such a proposal would provide means of meeting the conditions confronting the California fishing industry.

Jeff Kibre, representing union fishermen, discussed the fishing boat problem, as did Peter Ferranti, a spokesman for Monterey sardine fishing groups. Ferranti said a program was under way to attempt to secure RFC financing for the building of new boats for fishermen whose craft had been acquired for war purposes.

Sharp warning was given the Senators by Kenneth I. Fulton, director of the State Department of Natural Resources and acting executive director of the State Council of Defense that "the war confronts California with the toughest overall fire suppression problem to be found in the United States."

### ONE BOX OF MATCHES

Senator Downey in presenting Fulton had declared he believed that "one dangerous character with one box of matches can do more harm than all the Japs in the United States."

Director Fulton said California authorities "have encountered difficulties in the priorities section of the War Production Board which can be explained only as a complete failure or inability on the part of those in charge to understand what war has done to our fire problem, or to differentiate between our fire problem and that of other States having far lower natural hazards, fewer military objectives and lower values at risk."

He asked for "preferred consideration" for California.

Fulton and Senator Wallgren sharply differed over Fulton's charge that the Federal Government was "to blame" for the failure to develop many "strategic, critical and essential metals required for the war effort" and which are available in California.

### NO WILD-CATting

"We cannot go out 'wildcatting' on Federal capital," said Wallgren, "and the States must assist. It is too bad when we had the WPA, the PWA, etc., we didn't drill these properties to prove if they had ore values."

Fulton enumerated the various metals which might be obtainable in this State for the war machine.

"Federal loans to mine owners for expansions and new developments have been hopelessly low in number and volume and too slow in granting," Fulton declared.

The director urged "Government subsidy of or Government entry, if necessary, into the beneficiation and smelting of ores in order to bring these facilities closer to small and independent producers."

"Direct engagements by the Government in the mining business" in some instances was urged by Fulton.

# BUNKER SEEKING PROBE OF BMI

## Nevada Senator Calls for Truman Committee Action

Howard Eells Attacked In Statement by Junior Solon

United States Senator Berkeley L. Bunker today called for a "complete and thorough investigation" of Basic Magnesium Inc.'s operation here, and declared that should such a probe "disclose incompetency and inefficiency" he would ask Defense Plants Corporation "to remove Howard Eells from the management of this vital defense project."

The senator's demand was contained in a statement issued over his signature, in answer to a recent speech made by Eells on the housing situation, and is published in full as a paid advertisement in another section of this newspaper.

### Truman in West

The Truman committee, investigating the construction and operation of defense projects all over the land, is now in the state of Washington and is expected to be in the west for several weeks. Whether the senators will accede to Bunker's request, could not be determined this afternoon.

In his statement, the senator goes back to the beginning of the proposed construction of the new town to house Basic Magnesium workers, and outlines his various contacts with that project.

His statement declares that: "As originally planned, the new community was to be a company town and that Basic Magnesium was to control the concessions and receive revenue from them."

### Not DPC Plan

That the idea of a new town originated in the minds of officials of Basic Magnesium, and was not proposed by Defense Plant Corporation or any other governmental agency.

That due to the agitation for a new town priorities for new housing construction in Las Vegas were cut to 200, because of influence brought to bear on the Office of Production Management by certain individuals who were interested in the building of the company controlled town.

That a large majority of the business men of southern Nevada asked him to inquire thoroughly into the whole matter of the advisability of constructing a new town.

That a survey by Morton Mc-

Cartney, Defense Plants Corporation engineer, resulted in a recommendation that 2,000 homes be constructed in Las Vegas, 300 in Boulder City and 1,000 demountable houses at the plant site, and that subsequently this was adopted as the official program of D. P. C.

That notwithstanding this decision Eells continued to vigorously advocate the building of a company owned town.

### Disclaims Blame

That the lack of housing was not the result of the senator's opposition to a separate town but the result of his (Eells') selfish interests in the promotion of a company town.

That the proposed town would have cost the taxpayers \$10,000,000, whereas the present program, including Las Vegas' recently approved sewer system, would require an outlay by the federal government of less than \$6,000,000.

That concessions in the proposed new town have been offered for sale.

That the "unprecedented public utterances" by Eells "give rise to the thought that the housing situation was being used as a smoke screen to keep public opinion from being focused on other activities relating to this project."

That the statement of Eells that he had not received cooperation in the area was unfounded.

That the proposed political ramifications of the project are without precedent in the state of Nevada.

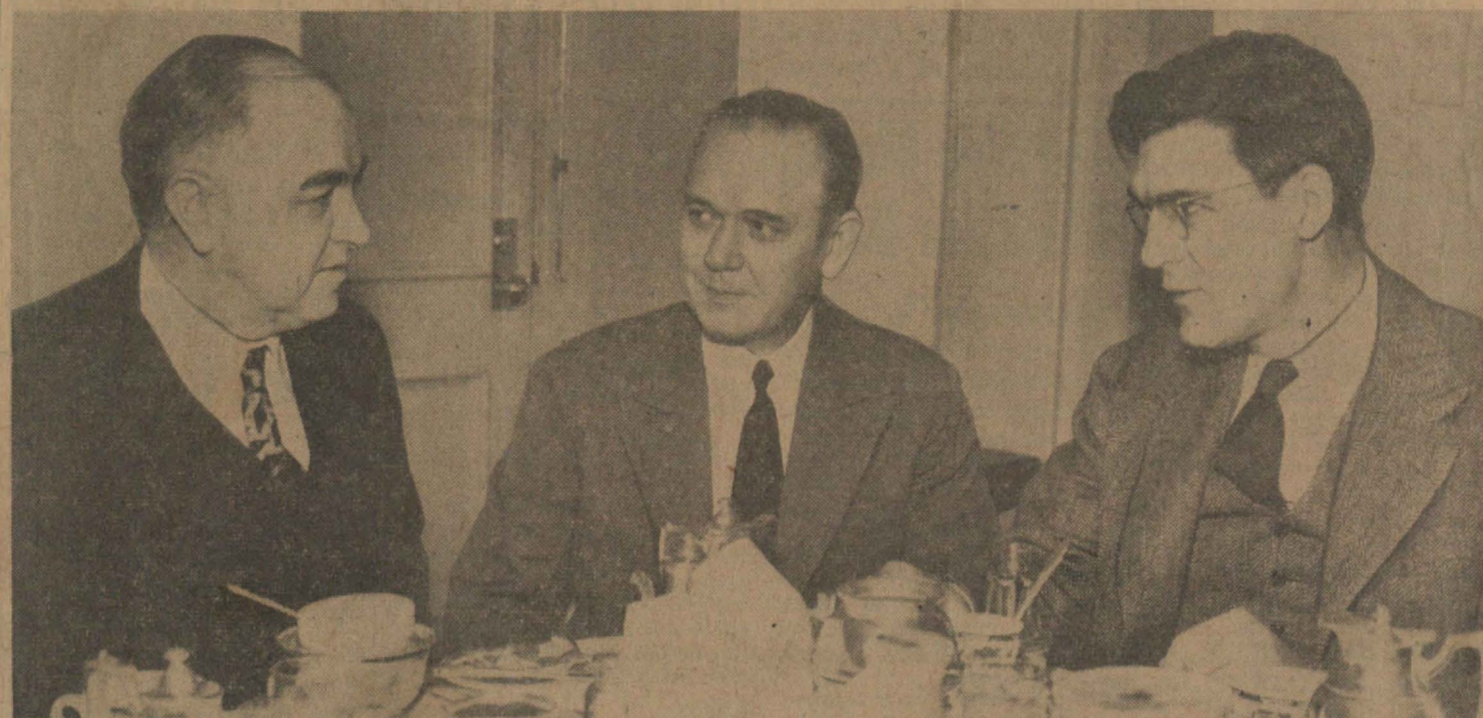
### Doing Good Job

That the Basic Magnesium forces at Las Vegas are doing a magnificent job, and that the system offered is not directed at the workmen on the project whose patriotism and industry are high commendable and worthy of praise.

That if present operating management appears incapable of meeting the exacting requirements of the industry, then an immediate change is necessary to save the plant and its needed material for the people of the United States.

Senator Bunker said he was contacting the Truman committee and expected to have an answer from them within the next 24 hours. He will be in Las Vegas tomorrow, leaving Thursday for Reno to attend a conference on production of strategic metals, as special representative of the senate committee on mines and mining of which he is a member.

## U. S. Senators Resent State Probe of Asserted Aircraft Slowdown



NO EFFORT was made by subcommittee of Truman group to conceal their indignation at state legislative body's investigation of asserted lag in aircraft production.

Arriving here yesterday, U. S. Senators H. M. Kilgore (left), Mon C. Wallgren and Joseph Ball, around the breakfast table, discuss the Californians' action.

Trio Bites Off Words With Breakfast

Extremely irked—and making no attempt to conceal it—at a California state legislative committee which last week issued a lengthy report purporting to show a slowdown in the airplane industry, three United States Senators arrived here yesterday.

"Don't they know that investigations of matters pertaining to the Government war effort are serious affairs?" snapped Senator Mon C. Wallgren, Washington Democrat.

"Where did they get their authority to go into airplane plants and issue subpoenas for books and records? Such investigations should be undertaken carefully and only with the thorough knowledge of the background," he said.

### INFORMATION TO FOE

To this, Senator Harley M. Kilgore, West Virginia Democrat, added:

"Don't they realize that ill considered statements resulting during or from such an investigation may be of utmost assistance to Japan and Germany?"

The third member, Senator Joseph H. Ball of Minnesota, echoed his colleagues' sentiments and commented:

"The airplane industry, called upon for unprecedented expansion, has been doing an excellent job."

That the state legislative committee, which consisted of Senator Robert W. Kenny and John Phillips, may be in for something more than mere criticism was indicated by Senator Wallgren.

"Their action is almost tantamount to trying to investigate the Federal Government's war activity," he said. "We might have that committee before our committee to find out just what it's all about."

### PLANT REMOVAL

The three Senators who compose the light metals and aviation subcommittee of the Truman committee to investigate the war program, in a breakfast interview at the Ambassador Hotel made it equally evident that attempts being made elsewhere to obtain removal of the coast's war industries inland have their hearty disapproval.

"We need planes and other war supplies right now and there certainly should be no thought of interrupting production by moving the plants," declared Wallgren, who is the subcommittee chairman.

### NEED STILL DISTANT

"Certainly no such need will arise unless and until the Japanese consolidate their southwestern Pacific conquests, including that of Australia."

"And," Kilgore stated, "if such a need did arise transferring the machinery elsewhere would not be a difficult or lengthy matter."

"Besides," Ball contributed, "when the Coast becomes unsafe, so will St. Louis, Chicago, and everywhere else. And, anyway, by that time, there would be lots of inland plants, as well as those on the Coast."

The Senators described themselves as "on a voyage of exploration."

ation," their main objective being to consult with technical experts on aviation, ship building and rubber (Kilgore and Ball are also on the Truman shipping and rubber subcommittees), and perhaps such matters as port protection and forest fire safety measures.

It is unlikely, they said, that they will hold any open hearings, which they described as "wasting about 75 per cent of time consumed and giving lots of people sounding boards for irrelevant and misleading statements."

### SLEEP CURTAILED

Though obviously fatigued by their series of seven-day-a-week hearings on the Coast and short rations of sleep, the committee shortly after its arrival took off for conferences at the Douglas aircraft plant.

After an indeterminate stay here—probably two or three days—they will go to Las Vegas to look over the situation at the magnesium plant there, and then will return to Washington to make their report.

Despite the harsh remarks of the national Senators, State Senator Kenny said last night his committee on economic planning will hold a San Diego hearing on aircraft production Saturday "if it appears during the week that there is demand for one."

He added that the committee will send an investigator to San Diego to determine who wishes to be heard.

"If he lines up witnesses, we'll hold the hearing starting at 10 a. m.," the Senator said.

## Truman Board To Be Here Monday

LOS ANGELES, Cal., March 20 (UP)—The Truman committee, investigating war production, will leave for Las Vegas Saturday night for hearings there, probably on Monday.

The committee completed work here today and two members departed for studies in San Diego. Senators Joseph H. Ball of Minnesota and Harley M. Kilgore of West Virginia left by plane at 10 a. m. Senator Mon C. Wallgren of Washington remained to nurse a cold, but planned to join them tomorrow.

### INCREASE ACTIVITY

CALIF. BULLETIN, Cir. 7,159

MARCH 16, 1942

## Fire in Magnesium Plant Not Due to Sabotage, Belief

WASHINGTON, March 16 (INS)—The war department stated today there is no evidence that sabotage caused the fire which destroyed an administration building at the new Basic Magnesium company plant at Las Vegas, Nev.

The army added that the fire destroyed only incomplete engineers' drawings and notes and did not interrupt work on the new defense plant.

"All essential drawings and records were saved," the war department said. "Evidence indicates the source of the fire was not sabotage."

### Bunker Very Suspicious

RENO, Nev., March 16 (UP)—Sen. Berkeley L. Bunker, D., Nev., today charged that the records of Basic Magnesium, Inc., which is building a \$63,000,000 magnesium plant at Las Vegas, Nev., were "conveniently burned" in a fire which destroyed the company's administration building March 6.

The Truman senate investigating committee on national defense will spend three days at Las Vegas next week, Bunker said.

"When I asked for an investigation of the Basic Magnesium plant, Howard Eells, company president, said his books and records were open for investigation. How can they be when they were conveniently burned?"

## TRUMAN COMMITTEE REPORT

The Truman investigating committee of the United States Senate has made an "investigation" and a report on Basic Magnesium, Inc., which in ruthless attempts to smear and ruin the objects of wrath strongly reminds one of the terrible Nazi gestapo.

The public is becoming more and more convinced that such committees, clothed with whatever power they see fit to seize, making their "investigations" under cover of the power of government without affording the object of its wrath any means whatever of answering charges, refuting statements or permitting any defense, are dangerous to the free institutions of America.

A careful reading of the report, of which a principal part is the list of salaries paid to officers and employees of Basic Magnesium, Inc., creates the impression that the attack and "investigation" are induced by personal or political motives.

Those who are familiar with the magnificent work Basic Magnesium, Inc., is doing on America's No. 1 defense project find it hard to believe that they are all a bunch of crooks intent mainly on profiteering.

It should be understood that when the contract whereby the government was able to command the best brains of the world for the construction and operation of a great plant to produce magnesium metal was made, it was done through the agency of the best business and financial brains available to the United States government. If that contract is base and undesirable as the "investigating" senators declare it to be, it is a sorry reflection on the administration at Washington.

We notice one charge in particular—that Basic Magnesium stands to make vast profits on an "investment of \$50,000" in development of its magnesite deposits at Gabbs. The suggestion that profits on a working mine should be limited to a six per cent or some such basis on the money spent in investigating it, does not appeal to Nevada mine operators.

The further intimation by the committee that the direction and operation of a vast enterprise requiring the expenditure of from \$60,000,000 to \$100,000,000 should be placed in the hands of cheap men, certainly does not appeal to those whose responsibility it is to develop the war industries of the nation. It has been found in private industry that the best talent is cheap at any price. To those of us who have observed the amazingly efficient organization which has been perfected and is so rapidly advancing the gigantic Basic Magnesium enterprise, it would seem that praise, rather than censure, is due.

Just what motive is back of the Truman committee "investigation" and report is not clear. Of one thing we may be certain: Howard Eells, H. C. Mann, McNeil Construction Co., and the other men of vision and ability who are constructing the project are entitled to be heard before being smeared.

## SENATE COMMITTEE INVESTIGATES BASIC MAGNESIUM, INC., CHARGES

Sessions Held in Federal Building Monday and Tuesday, Bring Out Interesting Data; Nothing Sensational Disclosed

The Truman senate committee held sessions in Las Vegas Monday and Tuesday last, for the purpose of investigating charges made by Senator Berkeley Bunker against Basic Magnesium, Inc., and its president, Howard Eells, Jr.

The committee discontinued its investigation Tuesday afternoon after having examined several witnesses and without having developed any of the sensational evidence the public had been led to expect.

The sessions of the hearing were held in the United States district court room in the federal building. Presiding as chairman of the board was Senator Mon C. Wallgren of Washington. Sitting with him were Senators Joseph K. Ball of Minnesota, Harley M. Kilgore of West Virginia and Berkeley Bunker of Nevada. The prosecuting attorney acting for the committee was Hugh A. Fulton.

Howard Eells, Jr., was the principal witness, his testimony in brief showing the organization setup as follows:

Basic Magnesium, Inc., is a company formed to act for and in behalf of Defense Plants Corporation, a government agency, for construction and operation of a magnesium plant capable of producing 112,000,000 pounds of magnesium metal per annum. The stock in Basic Magnesium, Inc., is owned 55 per cent by Basic Refractories of Cleveland, Ohio, of which Mr. Eells is the head, and 45 per cent by Magnesium Electronics Co., of England.

The first named of those companies, Basic Refractories, contributes its magnesite deposits near Luning, Nevada, while the English corporation contributes the process and the expert knowledge of production of magnesium including secret processes said to include the best known methods of producing magnesium metal and which are in successful use in British plants.

As its compensation under the contract entered into with the government Defense Plant Corporation, Basic Magnesium is to receive:

1—Construction of the plant, one-half of one per cent of the cost, up to but not exceeding the sum of \$300,000.

2—Operation, two per cent of sales, but not less than ½ cent a pound of metal produced, which on the basis of 112,000,000 would amount to \$560,000 a year.

3—Furnishing the ore, ¼ cent a pound for each pound of magnesium produced, if Basic Magnesium operates the plant or ½ cent a pound if someone else is in charge of operation—a total of \$280,000 for the ore if B. M. I. operates.

4—A flat fee of \$1,000,000 if the operation of the plant is transferred to another firm.

Mr. Eells declared that the organization of Basic Magnesium, Inc., and their acquisition of the British processes, ended the monopoly formerly exercised by Aluminum Company of America and that were it not for the Basic Magnesium development America would be at the mercy of one producer and one fabricator for its entire supply of magnesium. The Dow Chemical Company, he explained, is the only concern in America with a proven process for producing magnesium and they are operating under contract for their entire output to Magnesium Development Company, the stock of which is owned 50 per cent by a German company and 50 per cent by Aluminum Corporation of America.

Mr. Eells declared that Basic Magnesium will be able to produce magnesium for governmental use at the lowest possible cost and that it is the aim of the company to make the Nevada operations permanent, and that the government will ultimately get back its entire investment.

Mr. Eells testified that McNeil Construction Company was chosen as builder of the great plant because they had an outstanding reputation as successful contractors in large building operations. The firm was to receive a fee of \$500,000 for the entire job regardless of its cost. Other figures produced by Counsel Fulton showed fees to be paid to various other elements in the project would bring the total to approximately \$900,000.

Howard C. Mann, now project manager for Basic Magnesium, said he first came to the enterprise as manager for McNeil Construction Company and that on December first last, he was made project manager for Basic Magnesium.

It was brought out during the hearing that the first unit of the plant will be ready for operation July first.

Dr. S. J. Fletcher and J. L. Charles, technical experts of the British corporation which owned the magnesium process, described the process to be followed in producing the magnesium metal.

The committee adjourned without having considered the indirect charges made against Mr. Eells of being implicated in the fire which destroyed the administration building recently. It was indicated that further investigations might be carried on by the committee in Washington at some future date.

## Nevada Senator Calls for Truman Committee Action

Cartney, Defense Plants Corporation engineer, resulted in a recommendation that 2,000 homes be constructed in Las Vegas, 300 in Boulder City and 1,000 demountable houses at the plant site, and that subsequently this was adopted as the official program of D. P. C.

That notwithstanding this decision Eells continued to vigorously advocate the building of a company owned town.

### Disclaims Blame

That the lack of housing was not the result of the senator's opposition to a separate town but the result of his (Eells') selfish interests in the promotion of a company town.

That the proposed town would have cost the taxpayers \$16,000,000, whereas the present program including Las Vegas' recently approved sewer system, would require an outlay by the federal government of less than \$6,000,000.

That concessions in the proposed new town have been offered for sale.

That the "unprecedented public utterances" by Eells "give rise to the thought that the housing situation was being used as a smoke-screen to keep public opinion from being focused on other activities relating to this project."

That the statement of Eells that he had not received cooperation in the area was unfounded.

That the proposed political ramifications of the project are without precedent in the state of Nevada.

### Doing Good Job

That construction forces at Basic are doing a magnificent job, and that any criticism offered is not directed at the workmen on the project whose patriotism and industry are high commendable and worthy of praise.

That if present operating management appears incapable of meeting the exacting requirements of the industry, then an immediate change is necessary to save the plant and its needed material for the people of the United States.

Senator Bunker said he was contacting the Truman committee and expected to have an answer from them within the next 24 hours. He will be in Las Vegas tomorrow, leaving Thursday for Reno to attend a conference on production of strategic metals, as special representative of the senate committee on mines and mining of which he is a member.

## TRUMAN PROMISES L. A. "KICK IN THE PANTS" QUICKLY

LOS ANGELES, Mar. 13 (UP)—If the Los Angeles district needs a "kick in the pants" to improve its war effort it may get just that in the near future, Senator Harry S. Truman, democrat of Missouri, said today.

Truman is making preparations for opening of senate committee hearings here Monday to investigate the war program.

"We're here," he said, "to find out what's wrong with America's war effort. If somebody needs a kick in the pants, we'll give it."

"Every hour we take off the end of the war means lives saved—American boys' lives. Could anything be more important than that?"

"We have had rumors that the aircraft and shipbuilding production figures are not up to schedule, and that this may be due to lack of materials and some slowdown of labor."

"Some of these rumors, or phases of them, have been started by America's enemies, but it is as much the duty of this committee to spike them, if they are false, as it is to prove it if they are true."

YREKA, CAL., NEWS  
Ch. 2-732  
MARCH 16, 1942

## Senator Hints Fire Was Fake

RENO, Nev., March 16 (U.P.)—Sen. Berkeley L. Bunker, D., Nev., today charged that the records of Basic Magnesium, Inc., which is building a \$63,000,000 magnesium plant at Las Vegas, Nev., were "conveniently burned" in a fire which destroyed the company's administration building March 6.

The Truman Senate Investigating Committee on National Defense will spend three days at Las Vegas next week, Bunker said.

"When I asked for an investigation of the Basic Magnesium plant, Howard Eells, company president, said his books and records were open for investigation. How can they be when they were conveniently burned?"

## The Truth Will Come Out

Recent arrivals from northern Nevada bring word that the impression is pretty general there that Basic Magnesium set fire to its administration building two weeks ago for the purpose of destroying records which might be of value to the Truman committee due here next week to check the plant as it is checking all defense plants in the country.

The rumor, strangely, was rampant on the streets of Las Vegas a few hours after the fire, but there were few who took it seriously.

Ordinarily, such stories just run their course without the public ever learning the truth. In this instance, however, we'll probably know, very shortly, just what did happen.

The Truman committee undoubtedly will delve into this question, now that it has been raised, and certainly the Defense Plants Corporation and the war department will want to know. For setting fire to a building, constitutes the crime of arson—a rather serious offense.

And there's another source from which the truth undoubtedly will come—from the insurance companies which will have to pay the loss amounting to several hundred thousand dollars. That's a sizeable amount, even in these days of astrological expenditures, and would NOT be paid if not required under the terms of the policies.

If the fire was set for the purpose of destroying records, or if it was sabotage, as was first reported, there would be no responsibility on the insurance companies to adjust the loss.

If the insurance pool that holds the policies on the plant pays off, it can be accepted as proof positive that in the minds of these people, who are experts in the matter of fires, that there was neither sabotage nor incendiarism connected with the blaze.

Las VEGAS REVIEW-JOURNAL  
March 19, 1942

## Truman Committee Will Remain on Coast Until Friday, Revealed

LOS ANGELES, Mar. 19 (UP)—Members of the Truman congressional committee today continued investigation of a purported slowdown in airplane and shipbuilding on the California coast.

Yesterday, Senators Harley M. Kilgore of West Virginia and Joseph H. Ball of Minnesota inspected the plant of the California Shipbuilding Corporation, on Terminal Island and saw big freight vessels being put down the ways at the rate of two per week.

They were escorted along the line by John McCone, executive vice-president of the corporation, and J. C. Byrne, production control manager of the yard.

The senators offered no immediate comment on what they saw. Senator Mon C. Wallgren, the third member of the committee, who had been confined to his hotel by a cold, said his personal inspection of airplane plants refuted charges of slowdown in that industry.

The senator said he found evidence supporting the declaration of Colonel Charles E. Branshaw, army procurement officer, that the rumors of slowdown were the work of fifth columnists and not based upon facts.

Late yesterday, Senator Wallgren had an extended telephone conference with Chairman Donald Nelson, of the war production board in Washington, D. C.

Later he announced that his

committee would remain here until tomorrow.

Senator Kilgore and others of the committee expressed amazement at the speed shown in production in local ship and airplane plants.

In addition to inspecting the California shipyard and the Douglas aircraft plant in Santa Monica, the senators visited other industrial plants in the district.

## Await formal statement of senate body on planes

The United States senatorial subcommittee investigating the war production tempo in Los Angeles and Southern California today will issue a formal statement on its six days of work here.

The three senators who have been working on the war effort problem here include Sens. Mon C. Wallgren, D., Washington; Harley M. Kilgore, D., West Virginia, and Joseph H. Ball, R., Minnesota.

Senators Kilgore and Ball spent yesterday in San Diego, inspecting airplane production in that city. Senator Wallgren was confined by a cold to his suite in the Ambassador hotel.

Senator Wallgren asserted his subcommittee would recommend that the full membership of the Truman senate war production investigating committee come to Southern California to appraise war efficiency.

The senator asserted the present 10 member committee is too small to do justice to the investigation, "it is very difficult to make as thorough an investigation on the important progress of the war effort."

Wallgren's subcommittee's specific task is to survey light metals and aviation production.

In San Diego two other senators, Robert W. Kenny and John Phillips, are also at work as members of the senate economic planning committee investigating alleged aircraft production slowdowns.

Kenny, chairman of the committee, explained the committee sought to unify labor and management to obtain best war production results.

He emphasized that the public hearings he had been conducting in San Diego with Phillips were for "constructive purposes and not to seek the conviction of guilty parties."

The three senators here in Los Angeles have not held any public hearings, have shied from direct statements. They did declare, however, that war production here was proceeding satisfactorily.

Wallgren and his colleagues expounded on the difficulties the larger airplane plants experienced in seeking to speed up delivery of essential parts from small plants in the east and the middle west.

The Washington senator asserted the committee was aiding smaller plant owners to speed up production by solving financial problems and aiding them in securing raw materials.

Wallgren this morning conferred by telephone with airplane plant officials, preparatory to issuing the work report statement.

In San Diego Senators Kilgore and Ball, who are also members of a subcommittee investigating rubber and shipbuilding industrial efforts, held conferences with naval authorities and Consolidated Aircraft executives.

The three senators—Ball, Kilgore and Wallgren—are scheduled to leave tonight for Las Vegas, where they will survey the magnesium production situation there.

In an interview in his suite at the Ambassador, Senator Wallgren deplored charges of Tracy C. Hicks, chairman of the American Legion war council, that there existed serious bottlenecks in war industry production.

"Such statements are not making anybody feel very good," stated Senator Wallgren. "We've got a leadership, and all of us have to follow it in this emergency."

He explained members of his committee had found "people with no facts at all, who couldn't tell for one minute what is actually produced, yet criticized the production program as experts."

He urged that critics of the war effort "get to the bottom" and abstain from criticisms related to the whole picture of war production.

## WAR OUTPUT PROBE HERE MAY WIDEN

Wallgren to Recommend Entire Truman Senate Committee Spend More Time on Coast

Possibility that the full membership of the Truman Senate War Production Investigating Committee may come here was seen yesterday with the announcement by Senator Mon C. Wallgren (Democrat), Washington, that his subcommittee will urge such a step upon return to Washington.

"We are going to recommend that the full committee try to spend a little more time on the West Coast if possible," Wallgren declared, "and if not the full committee, then a subcommittee."

"There is so much that we can do but the (10-member) committee is too small. We are not worried about finances, but with the limited size of the committee it is very difficult to make as thorough an investigation as possible on matters so important as the progress of the war production effort."

### GROUP IN SAN DIEGO

While Wallgren, confined to his Ambassador Hotel suite with a bad cold, busily conferred by telephone with officials of various aircraft plants on production matters, the other members of his subcommittee on light metals and aviation, Senators Harley M. Kilgore, West Virginia Democrat, and Joseph H. Ball (Republican), Minnesota, went to San Diego.

There, the Senators, who also are serving on a subcommittee investigating rubber and shipbuilding production, met with Consolidated Aircraft officials and naval authorities.

Wallgren shied from specific reply to charges of Chairman Tracy C. Hicks of the American Legion State War Council, that there are serious lags in defense industry production, but referring to all such statements, commented:

"The war with Japan and Germany is very serious and such statements are not making anybody feel very good. We've got a leadership and all of us have to follow it in this emergency."

### CRITICS FLAYED

"In our various investigations we find people with no facts at all who couldn't tell for one minute what is actually produced, criticizing the production program. If anyone wants to talk about those very important things they should get to the bottom and not make criticisms unrelated to the whole picture."

The Senatorial trio will leave tonight for Las Vegas to investigate magnesium production problems.

Las Vegas Review Journal  
March 20 1942

## Magnesium Plant Fire Accidental

The fire which destroyed the administration building at Basic Magnesium company's administration building two weeks ago tonight, was neither sabotage nor of incendiary origin, Ed Lilley, adjuster for the Fire Companies Adjustment Bureau of Los Angeles, declared last night just prior to his departure by plane after spending several days here.

"We find absolutely no evidence, which would indicate the fire was set either by saboteurs or arsonists," Lilley said, adding that the companies which held the policies on the building were proceeding with an adjustment of the loss which will run well into the hundreds of thousands of dollars.

Lilley stated further that William Wells, ace arson investigator for the National Board of Fire Underwriters, happened to be in Las Vegas at the time of the fire, investigating the recent mystery blaze over the Frontier Club, and was on the Boulder highway when the magnesium plant fire broke out.

Wells was one of the first to reach the scene from the outside, and spent the next five days checking it from every angle. It was on the basis of his report that the insurance companies proceeded with adjustment of the loss.

Asked whether or not he cared to be quoted on the matter, Lilley said: "Certainly—I think the people are entitled to know the facts."

# Truman Group Lauds Plane Plants Work

War Department and O.P.M. Criticized for  
Failure to Expand Production of Needed Parts

Praise for aircraft manufacturers and criticism of the War Department and the Office of Production Management highlighted a report released here yesterday by a subcommittee of the special Senate (Truman) committee investigating the aviation industry.

After inspecting Southland air plants and hearing testimony here since last Monday, Senators Mon C. Wallgren, Harley M. Kilgore and Joseph H. Ball told newsmen "the airplane plants have done a marvelous job considering the conditions under which they have had to work."

## SHORTAGES EXIST

They pointed to the mushrooming expansion of the industry and acknowledged that temporary shortages exist as the result of inevitable lag where the manufacturers—serving largely as assembly plants—depend on thousands of items delivered from almost every State in the Union.

In this connection the subcommittee criticized the War Department and the O.P.M. for "failure . . . to realize soon enough the necessity of expanding the production of suppliers of parts."

## TEXT OF STATEMENT

The full statement follows: "The subcommittee has visited most of the airplane plants in the Los Angeles area. It has ascertained the number of airplanes being delivered and has found that deliveries of completed airplanes are increasing each month.

"The airplane manufacturing plants are, and of necessity must be, principally assembly plants. They assemble thousands of items which are manufactured in almost every State in the Union by thousands of plants. Some of the suppliers of such parts manufacture many other items for other defense work.

"The subcommittee has found that the capacity of the airplane assembly plants in the Los Angeles area has been expanded very rapidly, so that today plant buildings, tools and workmen are sufficient to assemble more airplanes than can be supplied with parts. In other words, there are temporary shortages in certain of the items which would be needed, if all the assembly plants were to operate at full capacity.

## ONLY TEMPORARY

"It should be emphasized that these shortages are in only a few of the thousands of parts, that they are expected to be temporary in nature, and that even with such shortages deliveries of completed planes are increasing monthly.

"The individual workmen in the plants, familiar with the capacities of their several departments, know that some of their

departments could operate at greater speed, and, not realizing that the failure to proceed at full capacity is due to shortages of certain materials for which the airplane manufacturers are not at fault, have assumed that the manufacturers are engaging in slow-down practices.

"This belief has been accentuated by the fact that occasionally, where shortages are temporary, the manufacturers have kept a full staff of employees in order that they might be available when materials are obtained, and in order to prevent the loss of production that would occur if departments were shut down and then reopened.

## BLAMED ON O.P.M.

"The subcommittee believes that the shortages of materials are due to the failure of the Office of Production Management and the War Department to realize soon enough the necessity of expanding the production of suppliers of parts. Instead, they concentrated too much of their attention upon expanding the facilities of the airplane manufacturers who simply assemble the parts. The subcommittee also believes that a more simplified method of financing the expansion of plant facilities by suppliers of parts should have been developed to eliminate red tape, confusion and delay.

"The shortages may, in some instances, extend all the way through to raw materials because the suppliers of parts are themselves dependent upon receiving materials from the fabricators, who in turn are dependent upon receiving sufficient supplies of ingot and raw materials.

## EARLY APPRECIATED

"This is a matter which the Truman committee early appreciated, and was the principal reason why it investigated facilities for the production of aluminum in April and May of 1941, and insisted upon a huge increase in the aluminum production capacities.

"The Truman committee has taken similar positions with respect to magnesium, steel, copper, lead and zinc, the production of all of which is being vastly increased.

"It takes time for such increase in raw materials to be reflected through fabricators, suppliers of parts and finally airplane manufacturers, into completed airplanes. The difficulties which are being encountered are not insuperable. Production is increasing and we can expect in the near future to obtain further increases in the production of completed airplanes."

## DOWNEY CONCURS

Wallgren, chairman of the subcommittee, also announced that Senator Sheridan Downey of California concurred in the statement.

In an informal discussion in their Ambassador suite, Kilgore

and Ball, who serve also on the shipbuilding subcommittee, gave high praise to the work of West Coast yards, which they characterized as "hitting the ball."

"In a way," Kilgore said, "they have the same problem the aviation industry has had to face—that of turning from a custom-built industry to standardized production."

Both Senators were enthusiastic about the naval air station at San Diego.

## HOT RECEPTION

"It's one of the best service establishments we have inspected," they agreed, "and any enemy who tries to get by that station will get a hot reception."

The subcommittee, accompanied by Hugh H. Fulton, chief counsel for the entire Truman committee, will leave tonight for Las Vegas where they will convene for three days for additional hearings before returning to Washington.

# OPM, RED TAPE BLAMED FOR FACTORY LAG

Truman Group Praises Work  
Assembly Plants Doing, Hits  
Delays in Delivering Parts

Lack of foresight on the part of the Office of Production Management and the War Department and "red tape, confusion and delay" in financing expansion of plant facilities by suppliers of parts are the real causes behind any drag in airplane production.

The airplane plants themselves "are doing a miraculous job in view of all the circumstances."

That opinion was expressed here yesterday by the aviation and light metals committee of the United States Senate Truman committee to investigate the national defense program following a week of hearings and investigation in the Los Angeles area.

## DOING SPLENDID WORK

Prior to leaving for Las Vegas, Nev., today, the subcommittee members, Senators Mon C. Wallgren (Democrat), Washington, chairman; Harley M. Kilgore (Democrat), West Virginia, and Joseph H. Ball (Republican), Minnesota, declared that both the airplane plants and the shipbuilding yards of Los Angeles and San Diego are doing splendid work.

Highlights in their formal report were:

1. Deliveries of completed airplanes are increasing each month.
2. Capacity of the airplane assembly plants in the Los Angeles area is sufficient to assemble more airplanes than can be supplied with parts, because of temporary shortages in certain necessary items.

## ONLY TEMPORARY

3. These shortages are in only a few of the thousands of necessary parts and are expected to be temporary in nature.
4. In those instances where workmen are not operating at full capacity, the situation is due to the fact that the manufacturers are keeping them on hand so they will not be delayed by a manpower shortage when they get the materials necessary for full speed ahead.

## OPM FAILURE CITED

5. Blame for the materials shortages, where they have occurred, is "due to the failure of the Office of Production Management and the War Department to realize soon enough the necessity of expanding the production of suppliers of parts."

6. None of the difficulties being encountered are insuperable. In addition to their formal report, the Senators pointed out that the achievements of the industry were "miraculous" in doing in one and one-half years what it took the auto industry 20 years to do.

"War necessities required making over airplane manufacture from a custom built to a standardized business, which meant building up a new system," they said in an interview at the Ambassador Hotel.

Senators Kilgore and Ball, who are also members of the Truman subcommittee on shipbuilding and rubber, gave equal praise to

the coast's shipbuilding industry, based on visits to yards in San Francisco, San Diego and here, including the California shipyard.

"Taking into consideration that they started from scratch, they are certainly hitting the ball beautifully," the Senators stated, adding:

"Of course they are up against a little of the same thing the airplane industry is up against."

They were highly enthusiastic about the naval installations at San Diego, which they visited Friday, and high in praise of Admiral Ralston S. Holmes, 11th Naval District commander, and Captain Ernest L. Gunther.

"It is one of the best of the Army and Navy installations we have seen, and we can guarantee that any unwelcome visitors coming there will get pretty rough treatment," they declared.

The subcommittee will leave today for Los Vegas, Nev., for three days of hearings on the magnesium situation there.

Following those, Senators Kilgore and Ball will return to Washington to sit in on the Truman rubber hearings, starting Tuesday, with Assistant Attorney General Thurman Arnold due to testify Thursday on the rubber cartel agreement between Standard Oil and German industrial interests, and Jesse Jones, Secretary of Commerce, due to take the stand the following week.

The subcommittee announced it will have a further report to make on the coast situation when it reaches Washington.

ODDEN, UTAH, STANDARD-EXAMINER  
Cir. 12312  
MARCH 24, 1942

# Magnesium Firm Chief Avers Monopoly Broken

LAS VEGAS, Nev., March 24 (AP)—Howard P. Eells, Jr., president of Basic Magnesium, Inc., told the Truman senatorial committee today that his company broke a monopoly held by American firms operating under German processes. "If it had not been for my associates and myself, this nation would be dependent in the main on one producer, the Dow Chemical company, and one fabricator, the Aluminum Company of America," Eells testified at the opening of the committee hearing.

"Organizing of Basic Magnesium frees this country from depending on one source of supply." He declared Magnesium Development, Inc., until recently was controlled 50 per cent by the Aluminum Company of America and 50 per cent by I. G. Farbin, a German light metal and chemical company, thus controlling practically all patents used by this nation.

## Senate Group Probes Magnesium Output

LOS ANGELES—(AP)—Members of the special (Truman) senate committee, who have investigated ship and airplane production problems here, left yesterday for Las Vegas, Nev.

There they will look into the production of magnesium, which is just getting under way.

In a statement, committee members said a shortage in parts has been the cause of occasional slowdown in airplane output in this area.

Sattle (Wn) Star  
March 25, 1942

## Magnesium Monopoly Broken, Senate Told

LAS VEGAS, Nev.—(UP)—Basic Magnesium corporation, building a huge plant to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged in testimony before the Truman senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical company, and one fabricator, the Aluminum Company of America."

# Magnesium Monopoly Broken, Truman Committee Told

Head of Nevada Plant Declares His Company  
Frees America From Depending on One Source

LAS VEGAS (Nev.) March 24 (UP)—Basic Magnesium Corp. broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman Senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee, "Were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Co., and one fabricator, the Aluminum Co. of America."

He said organization of Basic "frees this country from depending upon one source of supply." Eells testified that until recently Magnesium Development

Corp. was controlled "50 per cent by Aluminum Co. of America and 50 per cent by I. G. Farbin." He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied nations hold 45 per cent of Basic and American interests 55 per cent.

HANFORD, CALIF. SENTINEL  
Cir. 1163  
MARCH 24, 1942

## Magnesium Monopoly Finally Broken Up

Las Vegas, Nev., March 24—(UP)—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells, Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Company, and one fabricator, the Aluminum Company of America." He said organization of Basic "frees this country from depending upon one source of supply."

# Truman Group in New Inquiry

Las Vegas Magnesium  
Problems Attract  
Committee's Attention

Members of the special Senate (Truman) committee who have investigated production problems in the aviation industry here for the last week left for Las Vegas last night to open a three-day inquiry into magnesium plant problems there.

Continuing their conferences and inquiries at the Ambassador yesterday, Senators Mon C. Wallgren, Harley M. Kilgore and Joseph H. Ball showed particular interest in the system of training schools within plants as a speed-up aid for the Southland's aircraft industry.

In its report Saturday the committee praised the industry and laid asserted slowdowns to Washington officialdom's failure to realize the volume of part and materials the assembly plants are capable of handling.

## Truman Committee to Spend Several Days Here on Defense Plant Probe

The Truman committee, investigating war production throughout the United States, will start checking Basic Magnesium Company's gigantic Las Vegas plant some time Monday, and present indications are that members will remain here for three days, delving into various matters in connection with construction of the nation's number one war industry.

Arrangements have been made for use of the courtroom in the Las Vegas federal building, and quarters have been arranged for at the plant itself, it was learned this morning. Definite decision as to where the hearings will be held will not be made until committee members arrive here tomorrow morning.

It was first expected that Las Vegas would be the locale for all hearings, but the necessity for

calling department heads as witnesses forced a change in this program. It is now regarded as probable that the senators will spend Monday morning going over the project, and that hearings will get under way during the afternoon at the plant, in order to interfere as little as possible with the routine operation of the job.

The probable program, if a three day session is decided upon, is expected to call for spending Monday and Tuesday at the plant, hearing reports of progress and operating conditions from various witnesses, and then devoting Wednesday to a session in Las Vegas at the federal building to complete the investigation here.

The committee will be headed by Senator Mon C. Wallgren of Washington, and will include Senators Joseph H. Ball of Minnesota and Harley M. Kilgore of West Virginia. They will come to Las Vegas from southern California where they have been checking the airplane industry in the Los Angeles and San Diego areas.

It is expected that Senator Berkeley L. Bunker of Nevada, whose recent charges against Howard Eells, Jr., president of Basic Magnesium Inc., have focused attention on the Truman hearing, will be present and will sit with the committee members during the proceedings.

## Senators quit L. A. to see San Diego aircraft plants

Two of three senators who have been investigating war effort in the aircraft industry here left for San Diego yesterday to continue their work.

They left the third—the chairman, Sen. Mon C. Wallgren of Washington—in bed at the Ambassador hotel with a cold. He expects to join the others in the south today and visit aircraft plants there.

Those who left by plane yesterday were Sens. Joseph H. Ball of Minnesota and Harley M. Kilgore of West Virginia.

Monday they all will go to Las Vegas, Nev., for further inspections.

The senators still insisted as they left that there was nothing to indicate there had been a slowing down of production here.

Las Vegas Review Journal  
March 30, 1942

## The Strongest Indictment

There could be no stronger indictment of the Truman findings with regard to Standard Oil of New Jersey's alliance with a German company in the synthetic rubber field, than the rush of the rest of the Standard families to disclaim any connection, either with the New Jersey company or the mess they've gotten into over the German cartel.

The other companies, afraid of public reaction to the sensational revelation that but for Standard of New Jersey, we might now have plenty of synthetic rubber to meet civilian demands as well as those of the military, have rushed into print to tell the world their story, and well they might.

As the significance of the story breaks over a questioning nation, it won't show Standard of New Jersey in a very favorable light. In fact it appears so far they're downright unpatriotic, adverse to the U. S. war effort and a lot of other things that won't look well in print.

That the other Standard Oil companies do not approve of what's been done is seen in the tenor of their disclaimers they have filed all over the country.

In all fairness, there is no reason whatever to blame any other member of the Standard family for what the New Jersey company did. There is no connection whatever between the various concerns carrying Standard's name. Some individuals may hold stock in more than one Standard Oil company, but they are separately operated, there are no interlocking directorates, officers or anything of the sort. In fact in many states, you'll find two Standard Oil companies in direct competition.

Standard of New Jersey was the original parent company. When Uncle Sam forces the giant concern to dissolve at the turn of the century, it was broken up into several concerns, with stock issued in each in proportion to the original holdings.

Originally, the stockholders were the same, but as years went by, the situation changed gradually, with shifts of blocs of stock until today there is no connection between the two beyond the few who own shares in more than one company. This is not sufficiently prevalent to align the companies together.

Certainly in a situation like that now developing with S. O. of New Jersey, the public will want to be entirely fair all the way along.

## Truman Board Opens BMI Hearing

### Howard Eells, Jr., Is First Witness On Stand Today

With Howard Eells, Jr., president of Basic Magnesium, Inc., as the first witness, the Truman committee of the United States senate started delving into the contractual set-up of the Las Vegas plant this morning, and after a two hour session in the courtroom of the federal court, had written into the records, the high-lights of the negotiations whereby the plant came into being, and the details of the contract for its construction and operation.

With Senator Mon C. Wallgren of Washington presiding, and Senators Joseph H. Ball of Minnesota, Harley M. Kilgore of West Virginia, and Berkeley L. Bunker of Nevada occupying the bench, Hugh A. Fulton, chief counsel for the committee conducted the inquiry with occasional questions from the senators.

#### BMI History

During the course of Eells' testimony it was brought out that:

Basic Magnesium, Inc., is a company formed to carry out a contract with the Defense Plants Corporation for the construction and operation of a magnesium plant to produce 112,000,000 pounds of the vital metal per year.

The stock in the corporation is divided 55 per cent to Basic Refractories of Cleveland, Ohio which Eells heads, and 45 per cent to Magnesium Electronics company of England.

Basic Refractories contributed magnesite deposits at Luning, Nevada, and management for their share of the stock, and Magnesium Electronics company contributed the "know-how"—the process developed for producing magnesium in England and which was in use in two plants there.

Basic Magnesium, Inc., receives as compensation for various phases of the project:

1.—Construction of the plant, one-half of one per cent of the cost, up to, but not exceeding the sum of \$300,000.

2.—Operation, two per cent of sales, but not less than 1/4 cent a pound of metal produced, which on the basis of 112,000,000 would amount to \$560,000 a year.

3.—Furnishing the ore, 1/4 cent a pound for each pound of magnesium produced, if Basic Magnesium operates the plant or 1/2 cent a pound if someone

else is in charge of operation—a total of \$280,000 for the ore if B. M. I. operates.

4.—A flat fee of \$1,000,000 if the operation of the plant is transferred to another firm.

It was brought out that Eells was the moving spirit in the plan to launch the production of magnesium in this country, and that he first became interested when a Canadian affiliate of Basic Refractories learned that the British company was in Canada attempting to set up a plant there.

#### Went To Canada

Eells said he went to Canada, found the Canadian plan had been blocked, and discussed with the officials of the company, the feasibility of shifting to the United States.

A deposit of magnesite at Luning, Nevada, then owned by the company, was to provide the raw material, Basic Refractories the management, and the British to provide the process, which at that time was the only process then being used successfully in commercial production.

After a preliminary agreement, Eells and a representative of the British concern went to Washington, presented the plan to OPM through a friend of Eells', and were then sent over to the war department for further study as to feasibility of the project.

The war department, after tentatively approving, then turned the proposal over to the aviation division at Wright Field, and it was from here that the final OK was forthcoming.

A contract was entered into through Defense Plants Corporation and the job started last fall.

#### Past Experience

Fulton delved deeply into Eells' past experience and his companies, and discovered that the B. M. I. president had been connected with the operation of Basic Refractories in Cleveland for 20 years; that he is also head of the Atchison and Eastern Bridge company.

Basic Refractories, Eells testified, represents an investment of "between three and four million dollars."

He traced the acquisition of the properties near Luning from 1936 to the present time, and said leases on the brucite claims were taken to provide raw materials for Basic Refractories, and that the discovery of the vast deposit of magnesite came in connection with the brucite development.

Fulton dwelt at considerable length on the amount invested in the Luning property, finally arriving at a figure of approximately \$25,000 for the magnesite claims turned over to the government.

#### Original Plan

The original plan, Eells stated, was to duplicate the British plant which is producing 5,600 tons of magnesium a year.

When full appreciation of the need for the metal was realized, the war department ordered the plant expanded to ten times the initial capacity or 56,000 tons a year.

Under this plan, the government was to take care of all the financing including initial operating costs which, prior to this expansion, Basic Magnesium was supposed to put up.

Fulton questioned Eells at length as to where he planned to get the \$3,000,000 necessary to operate the plant under the original plan, and Eells declared he hadn't gone into that very far, but had expected to have no difficulty obtaining it from concerns which would use the magnesium for raw material.

#### Plenty of Ore

Eells declared there was 13,000,000 tons of ore blocked out at Luning, basing his statement on drilling done to date, and reports by bureau of mines geologists. Under Fulton's questioning, Eells said the drilling had been done on the brucite claims and not on the magnesite claims turned over to the government, but that the results of the brucite tests had given them a clear idea of what is to be found in the magnesite area adjoining.

Fulton brought out that many Basic Refractories executives brought to Las Vegas received substantial increases in salaries, and Eells explained this by stating they had more responsible positions, and that living costs were higher here.

#### \$211,000 Spent

Eells said \$211,000 had been spent by Basic Refractories in initial work on the project before the formation of Basic Magnesium Inc., and that he expected all this would be repaid by the government adding "but I'm having a hard time getting it."

Fulton asked Eells how much time he had spent here since the start of the project, and finally arrived at a figure of between 30 and 60 days all told. Eells explained, however, that he was engaged almost entirely in work connected with the project, and that he was continually on the move across the country putting together the details of operation.

#### Technical Experts

He said the British have furnished seven technical experts who are at the plant now, and that 45 American engineers are now in England being trained in operating methods.

Eells testified that during 1941 he had been paid \$18,000 for a half year's services as president of Basic Refractories and that he had received \$25,000 for services rendered as head of Basic Magnesium during the second half of the year.

The committee then started delving into the question of transporting the ore from Luning to the plant and found it is a 1,110 mile rail haul by way of Salt Lake, 978 miles by way of Los Angeles, 629 by way of Baker, and that the railroads had published a freight rate of \$6 a ton.

Defense Plants had figured a cost of \$5 a ton for freight haul in the original set-up, he explained.

Distance by truck is 337 miles, Eells explained.

#### Sloan Deposit

Asked whether or not there are other deposits of raw material closer, Eells said there was considerable dolomite at Sloan.

The committee resumed the session at 2:00 o'clock and indicated it would still be in session tomorrow.

## STEADY GAIN IN DELIVERIES OF AIRCRAFT TOLD

### Senate's Subcommittee Blames Failure of O.P.M. to See Expansion Necessity

(By United Press)  
LOS ANGELES, March 21.—Temporary shortages of certain materials and parts are preventing operation of aircraft factories at full capacity, but deliveries of completed planes are increasing each month, a senatorial subcommittee reported today.

"The subcommittee believes that the shortages of materials are due to the failure of the office of production management and the war department to realize soon enough the necessity of expanding the production of suppliers of parts," a statement from the group said after it had completed an investigation of Southern California plants.

#### METHODS CRITICIZED

"Instead, they concentrated too much of their attention upon expanding the facilities of the airplane manufacturers who simply assemble the parts."

"The subcommittee also believes that a more simplified method of financing the expansion of plant facilities by suppliers of parts should have been developed to eliminate red tape, confusion and delay."

The statement came from Senators Mon C. Wallgren, Washington Democrat, Harley M. Kilgore, West Virginia Democrat, and Joseph H. Ball, Minnesota Republican, who form a subcommittee of the Truman committee to investigate the national defense program.

#### NEVADA PLANT NEXT

The three senators leave Los Angeles Sunday night for Las Vegas, Nev., where they will conduct a three-day inquiry into construction of the new \$50,000,000 Basic Magnesium, Inc., plant near Boulder City.

The subcommittee said it had found the capacity of the airplane assembly plants in the Los Angeles area had been expanded "very rapidly" and that workmen were sufficient to assemble more airplanes than could be supplied with parts.

# Defense Housing Planned BMI City

## BMI Is Said Not Connected With Housing Project

The proposal to build a separate town to house workers at the magnesium plant was placed at the door of the Defense Housing Coordinator by J. D. Platt of Basic Magnesium Inc., testifying before the Truman committee late yesterday afternoon.

Credit for forestalling the project was given by Platt to Senator Berkeley L. Bunker and Las Vegas civic leaders, and Hugh A. Fulton, chief counsel for the committee, expressed great surprise at the willingness of the Federal Works Authority and Defense Plants Corporation to provide the funds for necessary utilities in the proposed new town, while showing little or no interest in doing the same thing for Las Vegas in order that the plant housing might be built here.

### Shows Interest

Fulton also evinced great interest in the present construction of 1,000 demountable houses at the plant, the fee being paid Lescher and Mahoney, architects, for designing the houses, which he seemed to think were a replica of houses already built for other defense projects, and the fact that better homes were not being built for the \$2800 unit cost under the Lescher and Mahoney program.

Platt was called as a witness to discuss the proposal for a separate town, after Howard Eells, Jr., President of Basic Magnesium Inc., had stated that the matter of housing workers at the plant had been turned over to him early in the game.

Platt declared that Basic Magnesium had never had any hand in shaping the housing program, and that his only mission was to keep his finger on plans of various federal agencies with a view to expediting a solution to the problem and insuring sufficient houses for the construction and operating employees at the plant.

### Original Plan

In the beginning, Platt explained, the plan was to build a 5,600 ton plant at Bracken, three miles from Las Vegas. The housing in connection with this project would have been a comparatively simple proposition, he said, and would have been planned for Las Vegas, without question.

When the larger plant was decided upon, and the site changed, the defense housing coordinator decided a survey should be made to determine what was possible. Facilities at Las Vegas and Boulder City were investigated and a report made. In July, after contracts were signed with Basic, Defense Plants Corporation designated Joe Rice to head the housing program and after conferences and investigations with representatives of Federal Works Administration, Defense Housing Corporation and Office of Production Management, it was decided a separate town was the solution to the problem.

"Our contract did not include any provision for Basic Magnesium Inc., building any houses, and Defense Plants took the responsibility because we didn't care to have anything to do with it," Platt explained.

### Tells of Confabs

Declaring it was the purpose of D. P. C. to interest private capital in providing the housing, Platt then outlined a series of conferences held in Las Vegas, with experts from several federal housing agencies visiting here in a steady stream, checking the program. Platt said he was re-

quested to sit in on the conferences to give information as to the housing requirements at the plant.

He revealed that three different sites for the proposed town were approved at various times, the last being the one on the Mesa, three and a half miles from the plant, which was chosen by Harry Scheeline, Nevada FHA director.

The FHA came into the picture because DPC and Rice felt private builders should handle the project through loans guaranteed by that branch of the government housing set-up, Platt testified.

Boulder City business men urged that their city be considered for housing but at that time it was not approved because the land could only be leased, Platt said.

### Town Approved

After the visit here of Rice and Scheeline at which the mesa site was tentatively agreed upon, another delegation of experts was sent out, and at this time still another location was chosen, but all again agreed on the need for a separate town, Platt said.

In October of last year, Platt detailed, Lescher and Mahoney, Phoenix architects were retained by DPC to make the survey of the proposed town-site. They held a meeting with representatives of the various agencies and finally decided on the mesa site for the town, authorizing Lescher and Mahoney to prepare the application for funds to build the necessary utilities, streets, schools, etc., which was to be sponsored by Defense Plants Corporation.

Fulton asked why it was necessary for any agency to sponsor the town, and Platt replied DPC was advised the funds would not be allocated unless this was done and that the war department had signified their intention of sponsoring the project if DPC did not.

The application was filed and called for \$6,600,000. FWA was reluctant to grant that sum, Platt said, because it was a large portion of the remaining funds available. There was a protracted period of delay, and finally FWA agreed to put up half and DPC agreed to put up the other half.

The allocation was approved by the board, and passed on to the budget bureau for final ok.

### Bunker Protest

This was the status, Platt said, on December 15 when Senator Bunker protested the project and urged a review of the entire matter, which was agreed to by Sam H. Husbands, President of Defense Plants Corporation who ordered another survey, this time by J. B. McCartney who reported that the housing could be constructed for less in Las Vegas than in a new town.

With this, and assurance from Las Vegas civic leaders and the city commission that local utilities would be expanded, and that immediate construction of not less than 2,000 houses would be undertaken here, the plan for building the separate town was discontinued, Platt said.

It was at this point Fulton asked Platt whether any government agency had ever considered the proposition of providing the necessary funds for expansion of Las Vegas facilities, rather than using government money to sponsor the new town, and Platt said he didn't know.

"It seems strange," Fulton remarked, "that you have a very elaborate plan on one hand for a new town, financed by the government and that on the other hand no thought was given to providing aid for Las Vegas to do the same thing."

In the matter of the 1,000 de-

mountable houses, now being built at the plant, Fulton got into the record the fact that they are to cost \$3,750,000 total, at \$2800 per unit for the houses themselves, ready to move into, except for furniture, with the rest \$950,000 representing the cost of sewers, water, power, streets, etc.

Lescher and Mahoney, Fulton brought out, are being paid \$25 per house for architect fees and \$8000 additional. This fee was questioned by the counsel who said he understood the houses were duplicates of others that had been designed for other projects. Fulton also questioned the unit cost, stating it appeared to him "you ought to be getting better houses for that amount".

Eells closed the housing discussion by renewing his demand for "houses close to the plant" in the interest of efficient operation of the project, and then declared his company "never had anything to do with concessions" when the new town was under consideration originally.

"We understood that DPC planned to get a company in Chicago to build the necessary business buildings, and they were to get the concessions in return," Eells said.

## War Project Gets Study Of Senators

### Hearing Opens On Magnesium Plant in Nevada

By O. N. Malmquist

LAS VEGAS, Nev., March 23—The Truman committee to investigate the national defense program for the United States senate delved into the financing, housing and other aspects of the \$63,000,000 plus magnesium project near this city at a hearing Monday, and emerged with the following items:

1. That the Defense Plant corporation will pay in fees to half a dozen contracting firms approximately \$900,000 for construction, in addition to \$300,000 to Basic Magnesium, Inc., for general supervision. Basic Magnesium, which conceived and worked out the project, has the contract for operating the plant.

### Doubts Raised

2. That there is still some doubt about the ownership and status of patents to be used. These patents were furnished by an English firm (Magnesium Electron, Ltd.) in return for 45 per cent of the stock of Basic Magnesium.

3. That Canadian and American, mostly American, distributors of a British Columbia supply of a special type of peat moss which will be used in the process will be paid 7 cents per bale for some 1,200,000 bales annually to compensate them for the moss they will no longer have to distribute.

### Housing Plans

4. That an architectural firm (Lescher & Mahoney of Phoenix, Ariz.) were or will be paid \$25 per house for 1000 houses now being constructed near the magnesium plant for architectural services, plus \$8000 for laying out streets, etc., in the subdivision. The houses are all the same, except one type has two bedrooms and the other three bedrooms, and, according to Hugh A. Fulton, chief counsel for the committee, the houses had previously been designed for another project.

5. That Basic Magnesium, Inc.,

owned jointly by the British Magnesium Electron, Ltd. (45 per cent) and Basic Refractories, Inc. (55 per cent) will receive \$840,000 annually as an operating fee, provided the project operates at the rated capacity of 112,000,000 pounds of magnesium.

The testimony was to the effect that neither the arrangement to pay the Moss distributors a compensatory royalty nor the housing contract were negotiated by Basic Magnesium, but by representatives of the Defense Plant corporation.

Howard P. Eells, president of Basic Magnesium and also head of Basic Refractories, was in the witness chair virtually all day. He was questioned by Mr. Fulton, with members of the investigating committee and Senator Berkeley L. Bunker of Nevada interposing occasional queries. Committee members present were Senator Mon C. Wallgren, Washington, chairman of the subcommittee, and Senators Joseph C. Ball, Minnesota, and Harley Kilgore, West Virginia.

### Hearing to Continue

The senators announced at the close of Monday's session that the hearing would continue in Las Vegas at least through Tuesday and later in Washington, D. C.

Mr. Eells firmly defended the construction and management fees to be paid to his company as reasonable in view of their contribution to the project and disclaimed all responsibility for what he termed "the housing mess." He conceded, however, that the project had some out-of-the-ordinary features by remarking at one point: "There were a lot of unconventional methods on this job. That was because we were in a war, I suppose."

Mr. Fulton, by his line of questioning, implied that Basic Magnesium's contribution had been very small compared to the returns it expects to receive. Mr. Eells agreed that this was true so far as expenditure of money was concerned, but not otherwise. He emphasized that the British company had furnished the patents and what he termed the "know how." Basic Refractories, on the other hand, supplied the raw materials, its management experience and brought the "know how" and materials together so that a badly needed war metal could be produced.

### Claims Credit

At one point he declared that had it not been for the efforts of himself and the two companies which own Basic Magnesium's stock the nation would be dependent for the metal upon one company (Dow Chemical) so far as a proven, commercially feasible operation is concerned. He expressed the opinion that an unnamed company "which is in the saddle in the light metal field" blocked a similar operation projected for Canada and added that that was one reason "he got into this thing."

The position Mr. Eells took throughout the questioning was expressed by the remark:

"I don't think we will have to apologize to anyone for this job."

The remark of the witness about proven processes turned Mr. Fulton to a series of questions about the Permanent magnesium plant in California. Mr. Eells expressed the hope that this venture would produce all the metal expected, but said that in his opinion the process had not been proven on a commercial basis. Moreover, he asserted that the experiences of the Permanent plant thus far had previously been duplicated in England and eventually abandoned.

### Discusses Contracts

Mr. Fulton pried extensively into Basic Magnesium's contacts in Washington, how and through whom the contracts had been negotiated. His questions brought out that the proposal was first presented to a Mr. Allen of the old O P M whom Mr. Eells knew

personally as a onetime chief geologist for Michigan. He also said that Mr. Allen had possibly done some business with his firm. At that time the projected plant was much smaller and the plan was for the D P C to supply the capital investment and for Basic Magnesium to put up some two or three million dollars working capital. Subsequently, according to Mr. Eells, the D P C boosted the size to its present capacity and decided to furnish capital investment and operating capital.

Mr. Eells testified also that his company had utilized the services in Washington of J. D. Keenan, former assistant attorney general under Homer Cummings. He said he had employed Mr. Keenan because he knew him personally, served with him in the last war and had a high regard for his ability. He added that Mr. Keenan was not on a retainer fee, was paid only for specific services and had not received more than \$5000 or \$6000 in all, possibly less.

Mr. Keenan was present at the hearing.

### Terms Revealed

Basic Magnesium's contract, according to the testimony, calls for a construction fee of one-half of 1 per cent but not to exceed \$300,000; an ore royalty of one-fourth cent per pound of magnesium produced for 30 years, the royalty to go up to one-half cent in the event the company loses operating management; a \$1,000,000 cash settlement if the plant is sold to anyone other than Basic Magnesium; a management fee of 2 per cent of sales or one-half cent per pound of metal, whichever is less.

Mr. Fulton computed that on a basis of capacity operation the ore royalty would be \$280,000 annually and the operating fee \$560,000 annually.

With respect to the construction supervision fee of one-half of 1 per cent, Mr. Fulton said:

"You have one of those rare contracts which pays you more as the construction costs increase, haven't you?"

Mr. Eells replied in the affirmative, pointing out that that was true only within the limits of the \$300,000 maximum. In reply to another question he said that the fee would reach the limit.

### Outlays Listed

Outright monetary contributions of basic magnesium to the project mentioned by Mr. Eells were \$25,000 to \$50,000 for development of the ore claims; \$75,000 preliminary travel and other expenses, \$25,000 of which was paid to Mr. Eells for his services.

Basic Refractories, he testified, expended another \$211,000 to get the project moving before any government money was received, but this was reimbursable, \$30,000 having been repaid to date. Delving into the contribution of patents by the English firm, Mr. Fulton brought out that these were obtained from the German I. G. Farben company and some are owned jointly in this country by Magnesium Development, which in turn is owned by I. G. Farben and Aluminum Company of America.

"Then isn't it true," Mr. Fulton asked, "that the English did not contribute the process but only a knowledge of the process?" Mr. Eells agreed.

It was also developed that no negotiations have been completed to guarantee the government against claims for patent infringements, but Mr. Eells said there was no reason to believe there would be trouble on this point.

### Some Ordered Off

At one point Mr. Fulton asked if company guards had not escorted men who criticized the operation off the property and followed them into Las Vegas. Mr. Eells answered that some persons had been escorted off the property but that if they had been followed off the property it was without his knowledge or approval.

# TRUMAN INQUIRY IN VEGAS ENDED

## Board Concludes Hearings After One Day and Half

The Truman committee, investigating the Basic Magnesium plant, completed its Las Vegas hearings shortly after one o'clock this afternoon, and the members prepared to go their separate ways back to Washington.

Senator Mon C. Wallgren, chairman of the sub-committee investigating light metals production, which conducted the local hearing, was scheduled to leave tonight for California on another mission.

### To Leave Vegas

Senators Joseph H. Ball of Minnesota, Harley M. Kilgore of West Virginia, other members of the committee, were to leave by plane this afternoon or tonight and Senator Berkeley L. Bunker of Nevada, who sat with the committee during the hearings, was to proceed to the national capital with his colleagues.

Senator Wallgren announced that the investigation of the local project would continue in Washington, but said he was unable to set a date.

When the session adjourned its Las Vegas hearings, a group of local labor officials waiting to be heard on the matter of transportation and other phases of the project, was advised to brief their proposed testimony and send the brief on to the committee in Washington.

### No Discussion

Adjournment was taken also without any discussion whatever of the recent fire which destroyed the administration building at the plant.

Howard Eells, Jr., president of Basic Magnesium, Inc., told the Truman committee yesterday, that he and his associates had smashed the monopoly of the Aluminum Corporation of America in the light metal field, when he declared that if it were not for them "the United States would now be dependent on one producer and one fabricator" for its entire supply of vital magnesium. "The Dow Chemical company," Eells explained, "was the only concern in America with a proven process for the production of magnesium. They were under contract to the Magnesium Development company for their entire output and this concern was owned 50 per cent by Aluminum Corporation." (Continued on Page Three)

tion and 50 per cent by a German firm.

### Freed Country

"When my company, with a proven process for producing magnesium, was awarded the contract by Defense Plants Corporation for construction of this plant, we freed the country from this monopoly," Eells declared.

This statement came at the opening of the B.M.I. president's testimony at the afternoon session of the committee yesterday, and provided the first insight into the rumored behind-the-scenes battle to prevent the introduction of the British process into this country.

Asked about the Permanent plant, Eells said the process had never been proven, and predicted it would never get into commercial operation.

He said the first unit of B. M. I.'s plant would start operating July 1, and that "within five or six weeks" will be producing the first metal magnesium. He said

the plant would be running to full capacity "about the middle of the last quarter of this year" (November 15).

### Tell of Fees

Eells testimony was then directed to the fees being paid various contractors and engineering firms on the job, and when he said he wasn't sure about some of the figures, Chief Counsel Hugh A. Fulton introduced a list into the record which totalled approximately \$900,000.

McNeil Construction Company, with the main contract calling for construction of the huge plant is to receive a flat fee of \$500,000 for the entire job, regardless of the cost, with other fees in approximately the same proportion.

Asked how he happened to choose the McNeil Construction company, Eells said they had an outstanding reputation in the west, were "very able contractors, particularly in organizing big jobs." He said he considered his firm very fortunate to secure their services.

### FBI Recommendation

Questioned as to the reason for so large a "plant protection" force, Eells said it was set up in accordance with recommendations of the FBI.

The power cost at the plant will be 1 3/4 mills per kilowatt hour on the basis of a 204,000 kilowatt load, he testified.

Questioned again on the source of supply of magnesite, Eells said there had been many rumors as to the quantity and grade of the Luning deposit, and indicated these had been started to discredit the material with a view to bringing about the use of dolomite deposits nearer the plant.

"I wish to say that our deposits will provide magnesite at the lowest possible cost in this hemisphere, and that with the available supply of salt and cheap power, and all other necessary elements it will be the soundest magnesium operation in the world," Eells said.

"Our aim is to make this a permanent operation—to be certain that the government will get back every dollar invested. It is a commercial operation now—it may not be the cheapest possible when we start out, but it can be the cheapest and we propose to make it so by constant study and research after we get under way."

Howard C. Mann, project manager for Basic, was the first witness at the morning session today, and was questioned at length as to his experience, the way he came to be associated with his present employer, and various phases of the job.

A graduate of the University of Nebraska, Mann worked his way up from the ranks to become chief engineer of the Union Pa-

cific railroad and later, vice president in charge of operations, a post he held for several years, leaving in 1939 to become associated with the McNeil Construction company on the San Diego housing project.

### Named Manager

When McNeil was awarded the contract for construction of the magnesium plant, he came over as general superintendent, and on December 1 of last year, was named project manager for Basic.

The committee was interested in what he found when he took over in the latter capacity, and questioned him carefully regarding the progress that had been made up to that time.

Mann testified that everything was moving along satisfactorily with the exception of the electrical work, and that he removed the head of that department and placed another man in charge. He characterized the situation in this department as "bogged down" and said that in several other units there was evidence of need of reorganization.

"We had good men, but they needed to be properly placed," he said. "After all, it was necessary to throw together a large technical organization very quickly, and some mistakes were bound to be made. After the work was coordinated things started moving satisfactorily."

### Being Finished

Mann was questioned at length regarding the fact that the plans for the project have not yet been completed, and replied they were being finished as rapidly as possible.

Eells interposed to call attention of the committee to the fact that rather than delay the project's start for six to eight months while completing the engineering, it was agreed by the war department and defense plants corporation to get out the plans as the work proceeded, keeping ahead of the field forces all the way. This, he said, had been done.

Questioned on progress of construction, Mann said the ten cells, most important portion of the plant, were now nine per cent complete, overall, and they they were progressing at the rate of approximately three per cent per week.

One cell is 30 per cent complete, and will be ready for operation about July 1, he said. From that time forward, one will go into operation "every two or three weeks," until the last one is ready in November.

The question of efficiency operation of various phases of construction was gone into, Fulton expressing particular concern as to whether or not union regulations were slowing down the job.

Mann said there were "a lot of short-cuts" that might be

taken if union regulations were relaxed, but added "there is greater efficiency among the workers on this job than any other I have seen or been connected with."

After Mann finished his testimony, J. L. Charles, and Dr. S. J. Fletcher, technical experts from the British company which owns the magnesium process to be used here, were called to the stand and detailed the method by which the metal is to be produced, giving the committee every detail from the time the ore is received

until it comes out as the finished product.

This done, the committee adjourned.

Salt Lake Tribune  
March 25, 1942

## Senators Scan Magnesium Price Set-Up

### Learn First Unit May Start Operating July 1

By O. N. Malmquist  
Staff Correspondent

LAS VEGAS, Nev., March 24—Status of construction, restrictive labor union regulations which might impede progress and the demonstrated efficiency of the process to be used by Basic Magnesium, Inc., were scrutinized by the senate committee investigating the defense program during the Tuesday session of the hearing on the magnesium project.

The Las Vegas hearing, which opened Monday morning, was adjourned at 1 p. m., but Senator Mon C. Wallgren, Washington, subcommittee chairman, announced that it will be continued at a later date in Washington, D. C.

The inquiry here was cut short to permit Hugh A. Fulton, the committee's chief counsel, to fly back to Washington to participate in the rubber hearing which will open there Wednesday. Senator Wallgren left for California to complete some work there, and Senators Joseph H. Ball, Minnesota, and Harley M. Kilgore, West Virginia, the two other members of the subcommittee, returned to Washington.

Chief witness Tuesday was H. C. Mann, project manager and former operating vice president of the Union Pacific railroad.

### Opening Set for July

Mr. Mann testified that construction, in his opinion, is proceeding satisfactorily and that the schedule calls for placing the first of 10 magnesium producing units in operation by July 1. The other units, he said, would be placed in operation one at a time at intervals of about two weeks. He reported that the metal plant is now approximately 35 per cent complete, including the value of equipment delivered or en route, but only about 9 per cent so far as physical construction is concerned.

In reply to questions concerning costs, Mr. Mann said he believed the \$70,000,000 appropriated for the project would be sufficient, except for housing, for which an additional \$4,500,000 has been authorized.

### Testify on Costs

Mr. Fulton wanted to know if the cost per pound of magnesium to be produced annually by this particular project was not exces-

sive compared to costs of the industry as a whole or of some other processes.

Howard P. Eells, president of Basic Magnesium, interposed to say that the unit capital costs were not high, adding that it was difficult to find a basis for fair and accurate comparison.

Subsequently, J. R. Charles and S. J. Fletcher, English technical experts of the Magnesium Electron, Ltd., expressed the belief that the metal could be produced by the Nevada plant at around 18 cents per pound. Current market is 22 cents. This estimate was the same as was offered by Mr. Eells Monday.

The question of labor regulations came up during the examination of Mr. Mann. Mr. Fulton asked the project manager if, in his opinion, it was necessary to have two men on each of a number of machines used to cut brick to accurate dimensions. The witness replied that it was a union requirement that each machine have an operator and a helper. Mr. Fulton pressed for an answer as to whether the manager, as a construction expert, considered the practice necessary or only a regulation designed to give more men work and thereby increase the costs to the government.

Mr. Mann did not give a direct answer but in reply to another question said he had checked the general efficiency of the men working and had found it to be satisfactory.

"I will say," he added, "that we are getting more efficient work here than we did on a project in San Diego."

Method Questioned

Mr. Fulton next asked if the witness considered the hand mixing of mortar and doubling handling, first by wheelbarrow and then by hod, an efficient practice. Mr. Mann replied that this, too, was a result of union regulations.

Asked if he knew of any other union regulations which are costing the government money, Mr. Mann at first replied in the negative and later said that a number of time and money saving short cuts could be made "if it were not for union regulations."

Mr. Fulton then wanted to know if he had made a report to the Defense Plant Corporation setting forth the inefficient labor operations and showing how they could be improved. The witness replied that he had not and did not consider it one of his responsibilities.

The Truman committee has come and gone. Its heralded investigation of the magnesium plant was probably more noteworthy for what it didn't do than what it did.

The question of the recent fire which rumor had it was set for the purpose of destroying important records the committee might be interested in inquiring into, wasn't even mentioned. Nor was there any occasion when records were asked for which were unavailable because of the fire.

This fact, coupled with the recent statement of insurance adjusters, should remove from the picture any thought of incendiarism in connection with the blaze.

As to the widespread rumors of inefficiency and mismanagement, the committee skipped over them rather lightly, and unless there's much more offered the committee upon its return to Washington, these charges too, so far as being a material factor in the construction or impending operation of the plant, must fall of their own weight.

There appeared but one serious instance of inefficiency, and the testimony was to the effect that it was corrected as soon as it was discovered.

The committee seemed primarily interested in the terms of the contract of Basic Magnesium Inc., with the government, the investment of the company in the project, and the return received by the company for building and operating the plant and providing the raw material.

In the final analysis, this contract was negotiated by government agencies, approved by government agencies, and its execution is being supervised by government agencies. Any criticism on that score then, must be directed against those agencies and not against Basic Magnesium Inc., or its officials.

So far as the plan for a separate town to house the plant workers is concerned, that appears to have been the brainchild of Defense Plants Corporation—particularly one Joe Rice. We have never liked the looks of that set-up, and have felt from the beginning that it would stand considerable investigation. So far as Basic Magnesium is concerned, however, they appear in the picture only in the role of demanding, for the good of the project, that sufficient housing be provided.

We have felt from the start that if the government could provide six or seven million dollars for sewer, water, and power facilities, streets, public buildings, school and parks in a new town, it could do likewise for Las Vegas and Boulder City.

The committee appeared in agreement with this stand, and wondered out loud, why the government agencies were so ready, willing and anxious to provide the money for a new town and so slow and reluctant to do the same thing for Las Vegas.

We are given to understand that had the separate town gone through, it would have been finished and ready for occupancy now. This means the utilities would all have been completed and this in turn means that the several millions would have been made immediately available.

The long delay in even obtaining the sewer money for Las Vegas, wherein weeks and weeks of valuable time were lost, is something we'd like to see the committee investigate further, for we have a hunch it would lead to some rather startling revelations of behind-the-scenes attempts to kill the housing in Las Vegas similar to those which have retarded progress from the beginning.

This is purely a matter within various government departments, so far as the Truman committee found while in Las Vegas, and has nothing whatever to do with Basic Magnesium, beyond the insistence of President Howard Eells, Jr., that the project would be served better by housing nearer the plant, which is entirely a matter of opinion.

The hearing brought out that it was upon the promise of Las Vegas civic leaders that 2,000 houses would be built immediately for magnesium plant workers, that the plan for the separate town was shelved. We are constrained to point out now that with all due respect to everybody concerned, the housing program here is lagging, and does not measure up to the "2,000 houses immediately" pledge heretofore given.

We don't know exactly who should be expediting this program, but we have an idea it is within the purview of the Federal Housing Authority. Certainly it should not be allowed to lag, for the Truman hearing brought out the point that the plan for a separate town has not been abandoned entirely—rather, that it's being held in abeyance pending developments here. We're quite likely to face the same problem again later if we do not make good in Las Vegas.

The committee found itself on too short time to hear representatives of organized labor on the transportation situation. That's unfortunate, for it's the most immediately pressing problem in connection with the entire job. There was much time spent on things not half so important—things that were already history and had already been remedied or outgrown.

The committee was greatly interested in several conditions which were rumored to have slowed up progress in the past, but all of these lumped together will be as nothing compared to the potential delay in the offing if the transportation problem isn't satisfactorily solved.

Returning to the matter of construction and operation of the plant, there was no indication that those in charge aren't competent, or don't know what they're doing. There was no indication either that the plant won't be in operation on schedule, and producing vital magnesium by the middle of August, and, in the final analysis, that's the important thing.

There have been rumors concerning the process to be used, the raw material upon which the plant operation is based, the question of whether the government is fully protected against possible patent suits. These were all touched on briefly, and apparently answered satisfactorily.

The source of these rumors, definitely aimed at discrediting the local plant, should be traced, because if uncovered, much might be learned concerning who is interested in sabotaging our war effort. Because of the press of other matters, however, this probably won't be done.

There are too many indications that powerful interests, concerned with retaining control of the light metal industry, might place the war effort secondary, to pass over such matters lightly. Rumors have to start somewhere, and when so persistent in the face of positive refutation, are very suspicious as to source. (Remember Boulder dam days and the fantastic stories invented to stop its authorization by congress? Remember where they came from?)

However that may be, we're glad the Truman committee came and asked questions. We hope everybody who had anything on their chest listened in, or read published accounts of what went on.

Such hearings are particularly useful in times like these, for they serve to clear the atmosphere of extraneous matters, allowing us all to concentrate on the big job at hand which, in Las Vegas and Boulder City, is to get the magnesium plant built and into production.

## C. OF C. ACCUSED OF LABOR FIGHT

By United Press

WASHINGTON, March 25.—Chairman Elbert D. Thomas (D., Utah) of the Senate labor committee today accused the United States Chamber of Commerce of seeking to "engender confusion" by urging its members to demand enactment of new labor legislation.

Senator Thomas read to the Senate a letter which he said had been sent out by the Chamber's board of directors on March 20. He said it urged local and state chambers of commerce and trade and industrial associations to become "aggressive in bringing about widespread expressions to Congress on desirable labor legislation."

"Probably in the history of the United States no such confusion-engendering document was ever sent out," Senator Thomas said.

He said he was sure every Chamber member with a war contract would repudiate what the board proposed in the letter, and added:

"I want to show where the grass roots opinion of this country comes from. It comes from a marble hall in Washington."

He said he sought to prepare members of Congress for the "avalanche" of letters they would get on the subject.

Senator Thomas contended that present voluntary agreements between labor and industry have united them as never before. The agreement, he said, bans strikes and lockouts and calls for settling of all disputes by peaceful means.

He charged that no sooner was the original agreement made than "there were elements in our country who tried to wreck it."

But, he added, "I believe the whole country is proud of the leadership displayed in that agreement and proud that it is being expanded to eliminate abuses."

**Labor Asks Seven-Day Week**  
Senator Thomas spoke after organized labor had challenged management to match its waiver of double pay for Sundays and holidays by placing war production on a 24-hour seven-day week.

The Congress of Industrial Organizations and the American Federation of Labor acted simultaneously in abandoning double pay, a provision which President Roosevelt and Production Chief Donald Nelson said was impeding the war effort.

The action in no way changes the time and one-half premium for work in excess of 40 hours a week—a provision of the Wage-Hour Act which a House block is seeking to outlaw. Elimination of the 40-hour week, outlawing of the closed shop and limiting of profits to 6 per cent of the cost of a contract are included in the bill sponsored by Rep. Howard W. Smith (D., Va.) and being considered by the House naval affairs committee.

**May Offer Substitute**  
Naval Affairs Chairman Carl Vinson (D., Ga.) hinted today that he might offer a substitute for the Smith bill and propose a 48-hour week for war labor with "incentive" wages. He asked Nelson and Secy. of Labor Frances Perkins to consider his suggestion. President Roosevelt yesterday stated he was opposed to changing the 40-hour week.

CIO action came in the form of a resolution adopted by the CIO executive board, but it said:

"In making this sacrifice the working men of the nation will have thrown down a challenge to American industry. The war effort requires that every American factory which can contribute to that effort work 24 hours a day, seven days a week."

AFL President William Green issued a statement saying that his organization "has assured the Government that it will waive double time payment for Sunday and holiday work in all war industries for the duration."

**Expect Confirmation**  
Neither CIO nor AFL heads have the power to order affiliated unions to waive double pay, but officials said they expected prompt confirmation by individual unions.

The CIO resolution called for straight time for work done on Sundays and holidays if they fall within the 40-hour work week. Work in excess of 40 hours would be paid for at time and a half and double time would be paid for any seventh consecutive day.

CIO President Philip Murray said a "considerable portion" of CIO workers have been receiving double time payments, including electrical workers, shipbuilders and automobile workers.

Mr. Green said most AFL unions already have put into effect a policy

of eliminating double time. That policy, he said, included 1,500,000 building trades workers and 100,000 workers in West Coast shipyards.

(At Las Vegas, Nev., continuation of an investigation into the war production program "at a later date" was promised today by the Truman Senate committee after hearing charges that the management of Basic Magnesium Co. here was "inefficient and incapable.")

(Closing a hearing on conditions at the plant, now under construction for production of magnesium for incendiary bombs, the committee members said they would return to Washington. Senators investigating the plant were Mon C. Wallgren (D., Wash.), Harvey M. Kilgore (D., W. Va.) and Joseph H. Ball (R., Minn.).

(Senator Berkeley Bunker (D., Nev.) in testimony before the group, charged that Howard P. Eells, president of Basic, was "inefficient and incapable" of managing the big factory.)

## Truman's Group Hits BMI Contract At Defense Plant

### Report Is Submitted To Senate Today By Committee

WASHINGTON, Apr. 2 (UP)—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.

#### Based on Study

The report was based on a study of a special sub-committee from March 9 to March 23 and absolved labor and management from blame for not reaching full production. It added, however, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including the lease agreement between the Defense Plant corporation and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nevada. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

#### Asks Royalty

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$200,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even  
(Continued on page three)

## FROM WHERE I SIT

By A. E. CAHLAN

So—we're now beginning to find out who's responsible for our having no synthetic rubber supply, when war in the Pacific has been imminent for years. Fearless Thurman Arnold, who has been performing so patriotically as assistant attorney-general a lot of groups would like to get his scalp, says it's Standard Oil of New Jersey, and that it came about through a cartel agreement giving a big Nazi chemical concern control of the manufacture.

A lot of Americans have wondered just how come this resourceful nation was caught in its present predicament, where there isn't enough rubber even for military needs. They have failed to understand how it is that somebody in authority didn't prepare for just the problem we're now up against, with an independent, synthetic supply.

Arnold says it's because Standard of New Jersey renewed its agreement with the Germans in 1929, when war was so imminent anybody ought to have seen it coming. And the story says further, that had the synthetic rubber industry been developed we would have become independent of the supply on the other side of the Pacific, thousands of miles away, producing our own at less cost.

Senator Truman, before whose committee Arnold was a witness, substantiates the statements, and predicts Standard of New Jersey will have plenty to answer for on this count. And it comes almost on the heels of the declaration of New Mexico's congressman that Aluminum Corporation had been successful, until recently, in blocking all magnesium development, except that which it controlled.

And we've learned also that Alcoa is blamed by responsible government authority for the shortage of aluminum which is hampering the war production effort. This too is laid at the door of attempted monopoly,

which seems to be the goal of all Big Business, as a means to controlling the price AND insuring profits which couldn't possibly stand up under competition.

Of course, for the present, this is water under the bridges—all we can do is to correct the situation as rapidly as is humanly possible, while we carry on the war, with a mental reservation that it must never happen again. Certainly, the things we're finding out now are the best possible argument for some sort of a change in our economic system to be sure ALL the nation's industries think first of the welfare of the republic, second of the opportunity for service, and third, of profits.

It can be done, and WILL be done. And it will be done because SOME concerns placed their own selfish designs, their profits, ABOVE the nation's welfare, particularly when storm clouds were gathering on all horizons. Those who have played the game will find their world completely changed because some did NOT.

That, of course, is the way of life. Were all men honest, honorable, and sincere, there would be no need for laws and courts and policemen. It's the chiselers—those who aren't satisfied with fair profits, fair conditions, fair competition, but who must always have a cinch, that are forcing an economic change which will wipe out forever, the business system we have known in other years.

There will be no more great fortunes in our life-time, no more monopolies in control of vast business enterprises for their own gain. Whichever side of the fence you're on, whether you like the picture or not—that's what's in store. Limited profits, limited incomes, spread of the advantages of modern science to ALL people instead of just those with money enough to buy—all these things will be included in the civilization after the war.

## Truman's Group Hits BMI Contract At Defense Plant

sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed August 13, 1941.

#### \$300,000 Fee

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The committee said the government should not have gone ahead with construction of the magnesium plant at Las Vegas until the Defense Plant corporation had reached a full agreement on the license terms.

"The subcommittee also ascertained that the English company, the plant of which is being duplicated, is a licensee of I. G. Farben, of Germany, and that it does not have 'or claim the right to license the operation of the Las Vegas plant,'" the report said.

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

The report gave details of the licensing terms under which Basic Magnesium proposed to supply magnesite ore to the plant.

"These 600 acres of ore deposits were claimed from the public domain by Basic Ores, a subsidiary of Basic Refractories of Cleveland, which owns 55 per cent of the BMI's stock, and were turned over to BMI in return for such stock," it said.

BMI President Howard Eells

testified that his company spent "not over \$25,000 to \$50,000" in proving these deposits and in a few surface explorations, the report said. It added that "virtually no diamond drilling has been done."

#### Report Signed

The report, signed by members of the subcommittee headed by Senator Mons C. Wallgren, democrat of Washington, and by Committee Chairman Harry S. Truman, democrat of Missouri, contained the following conclusions and recommendations:

1. Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

2. Light Metals—An offer by the Permanente corporation, Permanente, California, to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Washington, should not be built entirely around the ferro-silicon process, but two units should be completed—one using this process and the other the Doerner process.

3. Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5.—Guayule rubber — "There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on the west coast — The committee "found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have

been taken to meet any possible attack."

## SERIOUS CHARGES

It is most unfortunate that Las Vegas has been subjected to the damaging publicity of very serious charges against Basic Magnesium, Inc., and its president, Howard Eells, and the proposed investigation by the Truman committee of the United States Senate.

There can be no disagreement on this subject; if Basic Magnesium has been profiteering; if its officers or any of them are guilty of the crimes charged against them by Senator Bunker, an unbiased investigation by the Senate committee should quickly and positively determine that fact.

If, as charged in return, Senator Bunker is making these serious charges without substantial proof in order to provide material on which to build his coming campaign, that also should be quickly determined.

Already Las Vegas is suffering from the suggestion that its people are more anxious to harass great industries seeking to locate here, than to develop permanent payrolls in the surrounding areas in a safe and sane way.

We must assume that the Truman committee, with all the power of the United States Senate behind it, will make a positive and definite report on Senator Bunker's charges and not indulge in a lot of evasive suggestions as is so often done by investigating bodies.

In view of the fact that all records and accounts of Basic Magnesium are made in nine copies which are examined and audited by and filed with various departments of the government, it is obvious that there could have been no loss of records in the fire which cannot be reproduced by means of duplicate copies.

Further, in view of the fact that every transaction, however small, of Basic Magnesium, Inc., must have the approval of the various government agencies sent here for that purpose, it is difficult to vision such frauds as have been charged.

Mr. Howard Eells, president of Basic Magnesium, Inc., declares that he invites the fullest and most thorough investigation of his administration.

Unkersfeld, Cal., Californian  
Cir. 14,573  
MARCH 24, 1942

## Broke Monopoly, Testifies Basic Magnesium President

LAS VEGAS, Nev., March 24. (U.P.)—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman Senate investigating committee.

Howard P. Eells, Jr., president of Basic, told the committee "Were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Company, and one fabricator, the Aluminum Company of America."

He said organization of Basic "frees this country from depending upon one source of supply."

cently Magnesium Development Corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farbin."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby allied nations hold 45 per cent of Basic and American interests 55 per cent.

## War Project Gets Study Of Senators

### Hearing Opens On Magnesium Plant in Nevada

By O. N. Malmquist

LAS VEGAS, Nev., March 23.—The Truman committee to investigate the national defense program for the United States senate delved into the financing, housing and other aspects of the \$63,000,000 plus magnesium project near this city at a hearing Monday, and emerged with the following items:

1. That the Defense Plant corporation will pay in fees to half a dozen contracting firms approximately \$900,000 for construction, in addition to \$300,000 to Basic Magnesium, Inc., for general supervision. Basic Magnesium, which conceived and worked out the project, has the contract for operating the plant.

#### Doubts Raised

2. That there is still some doubt about the ownership and status of patents to be used. These patents were furnished by an English firm (Magnesium Electron, Ltd.) in return for 45 per cent of the stock of Basic Magnesium.

3. That Canadian and American, mostly American, distributors of a British Columbia supply of a special type of peat moss which will be used in the process will be paid 7 cents per bale for some 1,200,000 bales annually to compensate them for the moss they will no longer have to distribute.

#### Housing Plans

4. That an architectural firm (Leshner & Mahoney of Phoenix, Ariz.) were or will be paid \$25 per house for 1000 houses now being constructed near the magnesium plant for architectural services, plus \$8000 for laying out streets, etc., in the subdivision. The houses are all the same, except one type has two bedrooms and the other three bedrooms, and, according to Hugh A. Fulton, chief counsel for the committee, the houses had previously been designed for another project.

5. That Basic Magnesium, Inc., (Continued on Page Five)

## Magnesium

By United Press

LAS VEGAS, Nev., March 24. — Basic Magnesium Corp., building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," according to testimony before the Truman Senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee "were it not for my associates and myself this nation would be dependent in the main upon one producer, Dow Chemical Co., and one fabricator the Aluminum Co. of America."

He said organization of Basic "frees this country from depending upon one source of supply."

Mr. Eells testified that until recently Magnesium Development Corp. was controlled "50 per cent by Aluminum Corp. of America and 50 per cent by I. G. Farbin Industries."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied nations hold 45 per cent of Basic and American interests 55 per cent.

owned jointly by the British Magnesium Electron, Ltd. (45 per cent) and Basic Refractories, Inc. (55 per cent) will receive \$840,000 annually as an operating fee, provided the project operates at the rated capacity of 112,000,000 pounds of magnesium.

The testimony was to the effect that neither the arrangement to pay the Moss distributors a compensatory royalty nor the housing contract were negotiated by Basic Magnesium, but by representatives of the Defense Plant corporation.

Howard P. Eells, president of Basic Magnesium and also head of Basic Refractories, was in the witness chair virtually all day. He was questioned by Mr. Fulton, with members of the investigating committee and Senator Berkeley L. Bunker of Nevada interposing occasional queries. Committee members present were Senator Mon C. Wallgren, Washington, chairman of the subcommittee, and Senators Joseph C. Ball, Minnesota, and Harley Kilgore, West Virginia.

#### Hearing to Continue

The senators announced at the close of Monday's session that the hearing would continue in Las Vegas at least through Tuesday and later in Washington, D. C.

Mr. Eells firmly defended the construction and management fees to be paid to his company as reasonable in view of their contribution to the project and disclaimed all responsibility for what he termed "the housing mess." He conceded, however, that the project had some out-of-the-ordinary features by remarking at one point: "There were a lot of unconventional methods on this job. That was because we were in a war, I suppose."

Mr. Fulton, by his line of questioning, implied that Basic Magnesium's contribution had been very small compared to the returns it expects to receive. Mr. Eells agreed that this was true so far as expenditure of money was concerned, but not otherwise. He emphasized that the British company had furnished the patents and what he termed the "know how." Basic Refractories, on the other hand, supplied the raw materials, its management experience and brought the "know how" and materials together so that a badly needed war metal could be produced.

#### Claims Credit

At one point he declared that had it not been for the efforts of himself and the two companies which own Basic Magnesium's stock the nation would be dependent for the metal upon one company (Dow Chemical) so far as a proven, commercially feasible operation is concerned. He expressed the opinion that an unnamed company "which is in the saddle in the light metal field" blocked a similar operation projected for Canada and added that that was one reason "he got into this thing."

The position Mr. Eells took throughout the questioning was expressed by the remark:

"I don't think we will have to apologize to anyone for this job."

The remark of the witness about proven processes turned Mr. Fulton to a series of questions about the Permanente magnesium plant in California. Mr. Eells expressed the hope that this venture would produce all the metal expected, but said that in his opinion the process had not been proven on a commercial basis. Moreover, he asserted that the experiences of the Permanente plant thus far had previously been duplicated in England and eventually abandoned.

#### Discusses Contracts

Mr. Fulton pried extensively into Basic Magnesium's contacts in Washington, how and through whom the contracts had been negotiated. His questions brought out that the proposal was first presented to a Mr. Allen of the old OPM whom Mr. Eells knew

personally as a onetime chief geologist for Michigan. He also said that Mr. Allen had possibly done some business with his firm. At that time the projected plant was much smaller and the plan was for the DPC to supply the capital investment and for Basic Magnesium to put up some two or three million dollars working capital. Subsequently, according to Mr. Eells, the DPC boosted the size to its present capacity and decided to furnish capital investment and operating capital.

Mr. Eells testified also that his company had, utilized the services in Washington of J. D. Keenan, former assistant attorney general under Homer Cummings. He said he had employed Mr. Keenan because he knew him personally, served with him in the last war and had a high regard for his ability. He added that Mr. Keenan was not on a retainer fee, was paid only for specific services and had not received more than \$5000 or \$6000 in all, possibly less.

Mr. Keenan was present at the hearing.

#### Terms Revealed

Basic Magnesium's contract, according to the testimony, calls for a construction fee of one-half of 1 per cent but not to exceed \$300,000; an ore royalty of one-fourth cent per pound of magnesium produced for 30 years, the royalty to go up to one-half cent in the event the company loses operating management; a \$1,000,000 cash settlement if the plant is sold to anyone other than Basic Magnesium; a management fee of 2 per cent of sales or one-half cent per pound of metal, whichever is less.

Mr. Fulton computed that on a basis of capacity operation the ore royalty would be \$280,000 annually and the operating fee \$560,000 annually.

With respect to the construction supervision fee of one-half of 1 per cent, Mr. Fulton said:

"You have one of those rare contracts which pays you more as the construction costs increase, haven't you?"

Mr. Eells replied in the affirmative, pointing out that that was true only within the limits of the \$300,000 maximum. In reply to another question he said that the fee would reach the limit.

#### Outlays Listed

Outright monetary contributions of basic magnesium to the project mentioned by Mr. Eells were \$25,000 to \$50,000 for development of the ore claims; \$75,000 preliminary travel and other expenses, \$25,000 of which was paid to Mr. Eells for his services.

Basic Refractories, he testified, expended another \$211,000 to get the project moving before any government money was received, but this was reimbursable, \$30,000 having been repaid to date. Delving into the contribution of patents by the English firm, Mr. Fulton brought out that these were obtained from the German I. G. Farbin company and some are owned jointly in this country by Magnesium Development, which in turn is owned by I. G. Farber and Aluminum Company of America. "Then isn't it true," Mr. Fulton asked, "that the English did not contribute the process but only a knowledge of the process?" Mr. Eells agreed.

It was also developed that no negotiations have been completed to guarantee the government against claims for patent infringements, but Mr. Eells said there was no reason to believe there would be trouble on this point.

#### Some Ordered Off

At one point Mr. Fulton asked if company guards had not escorted men who criticized the operation off the property and followed them into Las Vegas. Mr. Eells answered that some persons had been escorted off the property but that if they had been followed off the property it was without his knowledge or approval.

## Aluminum Plant Declared Free of Domination

LAS VEGAS, Nev., March 24.—The \$63,000,000 project of Basic Magnesium, Inc., is free of domination by the Aluminum Company of America and other firms, President Howard P. Eells Jr. of the new enterprise testified before the United States Senate's Truman subcommittee.

Eells said: "If it had not been for my associates and myself, this nation would depend in the main on one producer, the Dow Chemical Company, and one fabricator, the Aluminum Company of America. Organizing of Basic Magnesium frees this country from depending on one source of supply."

Eells declared that the company had no connection with a proposed company town near the plant. He said government agencies were responsible for any near-by settlements.

CARSON CITY, NEV. APPEAL  
Cir. 650  
MARCH 24, 1942

## Eells Testifies at Truman Hearing

### Says Basic Magnesium Is Breaking Monopoly

LAS VEGAS, Mar. 24 —(U.P.)—In testifying before the Truman senate committee investigating defense activities, President Howard Eells Jr. of Basic Magnesium, Inc., said:

"Were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical; and one fabricator, Alcoa, for magnesium."

Eells said the Basic Magnesium company is breaking this monopoly.

He said that until recently magnesium developments in the United States have been controlled, "50 per cent by Alcoa and 50 per cent by I. G. Farbin."

Eells said that Britain has assisted the Basic Magnesium company to produce magnesium under an agreement whereby the allies hold 45 per cent and Americans 55 per cent of the Basic output.

## ALCOA CONTROL OF MAGNESIUM PROJECT DENIED

### Senate Committee Holds Hearing On Nevada Plant

Special to The Telegram

LAS VEGAS, Nev., March 24—Basic Magnesium, Inc., which is building a \$65,000,000 plant here for the Defense Plant corporation, is free of domination by the Aluminum Company of America and other firms, Howard P. Eells Jr., president, testified Tuesday before the Truman committee investigating war production for the U. S. senate.

The hearing, which opened Monday is scheduled to continue through Tuesday before being transferred to Washington, D. C., to gather additional testimony.

On the stand during most of Monday's session, Mr. Eells said organization of BMI frees the United States from depending on one source of supply, the Dow Chemical company, holder of the patents and processes used extensively in the United States for the manufacture of this strategic metal.

#### British Contributed

He testified that British interests contributed processes, knowledge and experts to BMI and in return allied nations hold 45 per cent of the stock, the controlling interest being retained by American interests, which provide raw materials, organization and funds.

It also developed there is still some doubt about the ownership and the status of the patents to be used. Testimony showed these patents, which were furnished by the English firm, Magnesium Electron, Ltd., have been worked successfully there but have never been proved here.

BMI, which is owned jointly by Magnesium Electron, Ltd., and Basic Refractories, Inc., parent company of BMI, will receive \$840,000 annually as an operating fee, provided the project operates at the rated capacity of 112,000,000 pounds of magnesium, testimony showed.

#### No Need for Apology

During the questioning by Hugh A. Fulton, chief counsel for the committee, Mr. Eells said, "I don't think we will have to apologize to anyone for this job."

Other facts presented were: That Leshner and Mahoney of Phoenix, Ariz., an architectural firm, were or will be paid \$25 per house for the 1000 houses now being constructed near the magnesium plant, situated halfway between Las Vegas and Boulder dam, plus \$8000 for plans to lay out the community.

That the Defense Plant corporation will pay to six or seven contracting firms approximately \$900,000 in fees for plant construction in addition to \$300,000 to BMI for general supervision.

#### Will Buy Peat Moss

That American and British distributors of a British Columbia supply of a special peat moss used in the process will be paid 7 cents per bale for some 1,200,000 bales annually to compensate them for the moss they will no longer have to distribute.

On questioning by Mr. Fulton, Mr. Eells said no negotiations had been completed to guarantee the government against claims for patent infringements. Mr. Eells said there was no reason to believe there would be trouble on this point.

According to Mr. Fulton, some of the patents were obtained from the German I. G. Farber company and some are owned jointly in this country by Magnesium Development. The latter firm until recently was owned jointly by I. G. Farber and the Aluminum Company of America.

## Nazi Control Of US Bombs Charge

LAS VEGAS—(UP)—Basic magnesium corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells, Jr., president of basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical corporation, and one fabricator, the aluminum company of America."

Eells testified that until recently Magnesium Development corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farben."

(I. G. Farbenindustrie is one of Germany's largest industrial organizations.)

## ENDS MAGNESIUM GRIP

### Eells Says His Firm Smashed Monopoly.

Las Vegas, Nev., March 24 (A. P.).—Howard P. Eells Jr., president of Basic Magnesium, Inc., told the Truman senatorial committee today that his company broke a monopoly held by American firms operating under German processes.

"If it had not been for my associates and myself, this nation would be dependent in the main on one producer, the Dow Chemical Company, and one fabricator, the Aluminum Company of America," Mr. Eells testified at the opening of the committee hearing.

"Organizing of basic magnesium frees this country from depending on one source of supply,"

## Basic Magnesium Breaks Monopoly, Executive Avers

LAS VEGAS, Nev., March 24. (UP)—Basic Magnesium corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells, Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical company, and one fabricator, the Aluminum Company of America."

He said organization of Basic "frees this country from depending upon one source of supply."

Eells testified that until recently Magnesium Development corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farbin."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied Nations hold 45 per cent of Basic and American interests 55 per cent.

## Basic Magnesium Said Free Of Domination by Monopoly

### Senate Committee Hearing Is Opened At Las Vegas; Housing Charge Denied

LAS VEGAS, Nev., March 24. (P)—The Truman committee of the United States senate ended its hearings on operations of Basic Magnesium, Inc., here today, after receiving detailed descriptions of processes to be employed at the big defense plant.

J. L. Charles and Dr. Jess J. Fletcher, representatives of an English magnesium firm, were on the stand most of the morning, providing technical details of methods to be used.

Howard Mann, project manager for Basic Magnesium, testified briefly on plant operations.

Sen. Berkeley Bunker of Nevada, who sought the hearing, did not question the witnesses, and Sen. Mon C. Wallgren of Washington announced after the session that hearings would be continued in Washington, D. C., at a date to be decided later.

LAS VEGAS, Nev., March 24 (P)—The \$63,000,000 Las Vegas project of Basic Magnesium, Inc., is free of domination by the Aluminum Company of America and other firms, Pres. Howard P. Eells, Jr., of the new enterprise testified before the United States senate (Truman) committee investigating war production.

Eells said yesterday: "If it had not been for my associates and myself, this nation would depend in the main on one producer, the Dow Chemical company, and one fabricator, the Aluminum Company of America. Organizing of Basic Magnesium frees this country from depending on one source of supply."

Eells testified that British interests contributed processes, knowledge and experts to Basic Magnesium and in return Allied nations hold forty-five per cent of the stock. American interests provided raw materials, organization and funds and hold fifty-five per cent.

He said that until recently, Magnesium Development, Inc., was controlled fifty per cent by Alcoa and fifty per cent by I. G. Farbin, a German light metal and chemical company, and thus controlled virtually all patents used by the United States.

Magnesium is used in the manufacture of aluminum.

Answering charges that concessions in a proposed company town were offered to prospective purchasers, Eells stated emphatically that his company had no connection with the proposed town. Government agencies were in full

## Basic Company Breaks Monopoly

LAS VEGAS, Nev., March 24. (UP)—Basic Magnesium corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical company, and one fabricator, the Aluminum Company of America."

He said organization of Basic "frees this country from depending upon one source of supply."

Eells testified that until recently Magnesium Development corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farbin."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied nations hold 45 per cent of Basic and American interests 55 per cent.

charge and were responsible, he asserted.

Sen. Berkeley Bunker of Nevada, who recently made the charges, was present at the hearing and took part briefly in questioning of Eells, but no questions were asked concerning his charges.

Eells, who occupied the witness stand most of the day, was not asked about efficiency of operations of his company or concerning a fire which destroyed its newly erected administration building last March 6.

LAS VEGAS—Basic magnesium corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was declared today in testimony before the Truman senate investigating committee.

## U. S. CHEMICALS CONTROLLED BY NAZIS

LAS VEGAS—(UP)—Basic Magnesium Corp., building a huge plant here to produce magnesium for incendiary bombs, will break a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Co., and one fabricator, the Aluminum Company of America."

He said that until recently Magnesium Development Corp. was controlled "50 percent by Aluminum Corporation of America and 50 percent by I. G. Farbin of Germany."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby allied nations hold 45 percent of Basic and American interests 55 percent.

## Basic Magnesium Broke Monopoly, President Says

LAS VEGAS, March 24 (UP)—The Truman defense investigating committee, probing the records of Basic Magnesium, Inc., and hearing testimony of its officials, today heard Howard P. Eells, Jr., president of the company testify that "were it not for my associates and myself this nation would be dependent in the main upon one producer, the Dow Chemical Company, and one fabricator, the Aluminum Company of America, for its magnesium."

Eells said that Basic Magnesium is breaking a monopoly, and that until recently all magnesium developments had been controlled "50 per cent by Alcoa and 50 per cent by I. G. Farbin."

He said that Great Britain has assisted Basic Magnesium to produce magnesium under an agreement where the allies would hold 45 per cent and Americans 55 per cent of Basic Magnesium.

## Howard Eells Defends Basic Magnesium Co.

LAS VEGAS, March 24 (UP)—President Howard Eells of Basic Magnesium today defended his company before the Truman investigating committee, insisting that the company was essential to break the monopoly enjoyed by "American concerns operating under a German process." He referred to the Dow Chemical company and the Aluminum Company of America.

## Basic Magnesium Company Breaks Monopoly Says Leader

LAS VEGAS, March 24 (UP)—Basic Magnesium, Inc., is attempting to break the monopoly on magnesium by erecting the huge \$63,000,000 plant near Las Vegas, the Truman defense investigating committee was told here today.

Howard P. Eells, Jr., president of Basic Magnesium, Inc., in testifying before the senate committee, declared that "were it not for my associates and myself, this nation would be dependent in the main part upon one producer, the Dow Chemicals company, and upon one fabricator, the Aluminum Corporation of America, for the supply of magnesium."

Eells, charged by Senator Berkeley L. Bunker with mismanagement, declared that his company is breaking the monopoly held by Dow Chemical and ALCOA.

Until recently, Eells declared, magnesium developments have been

## Basic Corp. Charges Monopoly Is Broken

LAS VEGAS, (UP)—Basic Magnesium corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman Senate investigating committee.

Howard P. Eells, Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical company, and one fabricator, the

Aluminum Company of America."

## Nevada Corporation Claims To Have Broken Monopoly

LAS VEGAS, Nev., March 24—(UP)—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells, Jr., president

of Basic, told the committee "were it not for my associates and myself this nation would be dependent in the main upon one producer, Dow Chemical Company, and one fabricator, the Aluminum Company of America."

He said organization of Basic "frees this country from depending upon one source of supply."

Eells testified that until recently magnesium development corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farbin."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied nations hold 45 per cent of Basic and American interests 55 per cent.

## Monopoly Grip On Magnesium Broken By Allied Backers

LAS VEGAS, Nev., March 24. (AP)—Howard P. Eells Jr., president of Basic Magnesium, Inc., told the Truman senatorial committee today that his company broke a monopoly held by American firms operating under German processes.

"It had not been for my associates and myself, this nation would be dependent in the main on one producer, the Dow Chemical company, and one fabricator, the Aluminum Company of America," Eells testified at the opening of the committee hearing.

"Organizing of basic magnesium frees this country from depending on one source of supply."

He declared Magnesium Development, Inc., until recently was controlled 50 percent by the Aluminum Company of America and 50 percent by I. G. Farbin, a German light metal and chemical company, thus controlling practically all patents used by this nation.

LAS VEGAS, Nev.—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged in testimony before the Truman Senate investigating committee.

From  
JOURNAL of COMMERCE  
New York, N. Y.

MAR 25 1942

## Says Basic Magnesium Broke "Monopoly" Here

LAS VEGAS, Nev., March 24 (AP)—Howard P. Eells, Jr., president of Basic Magnesium, Inc., told the Truman senatorial committee today that his company broke a monopoly held by American companies operating under German processes.

"If it had not been for my associates and myself, this nation would be dependent in the main on one producer, the Dow Chemical Co., and one fabricator, the Aluminum Co. of America," Mr. Eells testified at the opening of the committee hearing.

"Organizing of basic magnesium frees this country from depending on one source of supply."

## Basic Management Rapped by Senator

LAS VEGAS, Nev., March 25. (UP)—Continuation of an investigation into the war production program "at a later date" was promised today by the Truman senate committee after hearing charges that the management of Basic Magnesium company here was "inefficient and incapable."

Closing a hearing on conditions at the plant, now under construction for production of magnesium for incendiary bombs, the committee members said they would return to Washington. Senators investigating the plant were Mon

Eells testified British interests assisted Basic Magnesium, Inc., in production of magnesium under an agreement whereby interests of allied nations hold 45 percent and American interests 55 percent of Basic Magnesium.

The British gave processes, knowledge and experts, he said, and Americans contributed raw materials, organization and funds.

## Nevada Plant Hearing Ends

Las Vegas, Nevada (UP)—The Truman senate committee investigating the war production program has closed a hearing on conditions at the Basic Magnesium Company plant in Las Vegas, Nevada. Committee members are returning to Washington, but they say they'll renew their investigation "at a later date."

Senator Berkeley Bunker of Nevada charged before the group yesterday that the management of the big Basic plant is "inefficient" and "incapable." The factory is being constructed for the production of magnesium for incendiary bombs.

## Magnesium Monopoly Finally Broken Up

Las Vegas, Nev., March 24 (UP)—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells, Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Company, and one fabricator, the Aluminum Company of America." He said organization of Basic "frees this country from depending upon one source of supply."

Sen. Berkeley Bunker, D., Nev., in testimony before the group, charged that Howard P. Eells, president of Basic, was "inefficient and incapable" of managing the big factory.

## Plant Termed Monopoly Blow

LAS VEGAS, March 24. (UP)—Basic Magnesium Corporation, building a huge plant here to produce magnesium for incendiary bombs, broke a monopoly enjoyed by "American concerns operating under German processes," it was charged today in testimony before the Truman senate investigating committee.

Howard P. Eells Jr., president of Basic, told the committee "were it not for my associates and myself, this nation would be dependent in the main upon one producer, Dow Chemical Company, and one fabricator, the Aluminum Company of America."

He said organization of Basic "frees this country from depending upon one source of supply."

Eells testified that until recently Magnesium Development Corporation was controlled "50 per cent by Aluminum Corporation of America and 50 per cent by I. G. Farbin."

He told the committee that Great Britain assisted Basic in production of magnesium under an agreement whereby Allied nations hold 45 per cent of Basic and American interests 55 per cent.

The committee, comprising Senators Mon C. Wallgren, D., Wash., Harley M. Kilgore, D., W. Va., and Joseph H. Ball, R., Minn., announced it would continue its investigations of the nation's war production efforts in Washington "at a later date," at conclusion of the hearing here.

Committee members would make no statement as to charges made by Sen. Berkeley Bunker, D., Nev., that Howard P. Eells, Jr., president of the Basic Magnesium Company, was "inefficient and incapable" of managing the huge plant producing magnesium for incendiary bombs.

Other testimony today was given by J. L. Charles and Dr. Jess J. Fletcher, representatives of an English firm cooperating with Basic, who described the process to be used at the new plant.

## Magnesium Plant Investigation to Be Continued

LAS VEGAS, Nev., March 25. (UP)—Continuation of an investigation into the war production program at a later date was promised today by the Truman Senate Committee after hearing charges that the management of Basic Magnesium Company here was inefficient and incapable.

Closing a hearing on conditions at the plant, now under construction for production of magnesium for incendiary bombs, the committee members said they would return to Washington. Senators investigating the plant were Mon C. Wallgren (Democrat, Washington); Harley M. Kilgore (Democrat, West Virginia), and Joseph H. Ball (Republican, Minnesota).

Senator Berkeley Bunker (Democrat, Nevada), in testimony before the group, charged that Howard P. Eells, president of Basic, was inefficient and incapable of managing the big factory.

## Senators Scan Magnesium Plant Set-Up

Learn First Unit  
May Start  
Operating July 1

By O. N. Malmquist  
Staff Correspondent

LAS VEGAS, Nev., March 24.—Status of construction, restrictive labor union regulations which might impede progress, and the demonstrated efficiency of the process to be used by Basic Magnesium, Inc., were scrutinized by the senate committee investigating the defense program during the Tuesday session of the hearing on the magnesium project.

The Las Vegas hearing, which opened Monday morning, was adjourned at 1 p. m., but Senator Mon C. Wallgren, Washington, subcommittee chairman, announced that it will be continued at a later date in Washington, D. C.

The inquiry here was cut short to permit Hugh A. Fulton, the committee's chief counsel, to fly back to Washington to participate in the rubber hearing which will open there Wednesday. Senator Wallgren left for California to complete some work there, and Senators Joseph H. Ball, Minnesota, and Harley M. Kilgore, West Virginia, the two other members of the subcommittee, returned to Washington.

Chief witness Tuesday was H. C. Mann, project manager and former operating vice president of the Union Pacific railroad.

### Opening Set for July

Mr. Mann testified that construction, in his opinion, is proceeding satisfactorily and that the schedule calls for placing the first of 10 magnesium producing units in operation by July 1. The other units, he said, would be placed in operation one at a time at intervals of about two weeks. He reported that the metal plant is now approximately 35 per cent complete, including the value of equipment delivered or en route, but only about 9 per cent so far as physical construction is concerned.

In reply to questions concerning costs, Mr. Mann said he believed the \$70,900,000 appropriated for the project would be sufficient, except for housing, for which an additional \$4,500,000 has been authorized.

### Testify on Costs

Mr. Fulton wanted to know the cost per pound of magnesium to be produced annually by this particular project was not excessive compared to costs of the industry as a whole or of some other processes.

Howard P. Eells, president of Basic Magnesium, interposed to say that the unit capital costs were not high, adding that it was difficult to find a basis for fair and accurate comparison.

Subsequently, J. R. Charles and S. J. Fletcher, English technical experts of the Magnesium Electron, Ltd., expressed the belief that the metal could be produced by the Nevada plant at around 18 cents per pound. Current market is 22 cents. This estimate was the same as was offered by Mr. Eells Monday.

The question of labor regulations came up during the examination of Mr. Mann. Mr. Fulton asked the project manager if, in his opinion, it was necessary to have two men on each of a number of machines used to cut brick to accurate dimensions. The witness replied that it was a union requirement that each machine have an operator and a helper. Mr. Fulton pressed for an answer as to whether the manager, as a construction expert, considered the practice necessary or only a regulation designed to give more men work and thereby increase the costs to the government.

Mr. Mann did not give a direct answer but in reply to another question said he had checked the general efficiency of the men working and had found it to be satisfactory.

"I will say," he added, "that we are getting more efficient work here than we did on a project in San Diego."

### Method Questioned

Mr. Fulton next asked if the witness considered the hand mixing of mortar and doubling handling, first by wheelbarrow and then by hod, an efficient practice. Mr. Mann replied that this, too, was a result of union regulations. Asked if he knew of any other union regulations which are costing the government money, Mr. Mann at first replied in the negative and later said that a number of time and money saving short cuts could be made "if it were not for union regulations."

Mr. Fulton then wanted to know if he had made a report to the Defense Plant corporation setting forth the inefficient labor operations and showing how they could be improved. The witness replied that he had not and did not consider it one of his responsibilities.

"You are paid \$36,000 a year to supervise this job," Mr. Fulton shot back, "and do not consider it part of your responsibility to correct inefficiencies?"

"These senators," the committee counsel continued, "get frequent complaints about union regulations but when we ask you, as a construction expert, about them you can think of only two."

Representatives of the Building Trades council asked for an opportunity to testify but were requested to submit instead a brief, because of lack of time.

### Quizzed on Changes

The committee questioned Mr. Mann extensively as to the status of the project when he took charge and what changes he had made to coordinate and speed up the work.

Mr. Charles and Mr. Fletcher, sent over by the Magnesium Electron, Ltd. (which owns 45 per cent of Basic Magnesium), described in detail the process to be used in the plant, pointing out the variations from the practices used at their company's plant in England. The chief change was in a preliminary stage and this was due to a difference in the raw products used in the two operations.

Senator Berkeley L. Bunker of Nevada sat with the committee as an ex-officio member.

## HEARING CLOSES ON METAL PLANT

Special to The Telegram

LAS VEGAS, Nev., March 25.—Continuation of an investigation into the war production program at a later date was promised Wednesday by the Truman senate committee after hearing testimony that "inefficiency" was impairing construction and operation of the Basic Magnesium, Inc., plant near here.

The hearing was closed Tuesday afternoon to permit Hugh A. Fulton, committee chief counsel, to participate in the rubber hearing scheduled in Washington, D. C., Wednesday.

Senator Berkeley Bunker (D., Nev.) in testimony before the group here charged that Howard P. Eells, president of BMI, was "inefficient and incapable" of managing the huge metals plant.

Chief witness Tuesday afternoon was H. C. Mann, former vice president of the Union Pacific Railroad company and now BMI project manager. He reported the plant is 35 per cent complete and the schedule calls for placing the first of the magnesium units in operation by July 1.

Originally scheduled to cost approximately \$65,000,000 before an additional appropriation was made in view of war needs, Mr. Mann said he believed the \$70,900,000 allotted for the project would be sufficient. He noted that an additional \$4,500,000 has been appropriated for housing.

Mr. Eells, in replying to questions by Mr. Fulton, said he did not believe the cost per pound of producing magnesium at the plant was excessive. He said indications pointed to producing the metal at 18 cents per pound, compared with the current market price of 22 cents.

Mr. Fulton then devoted considerable time to probing labor practices. The testimony showed that in certain cases where it appeared there was a duplication of effort the practices were as a result of union requirements.

## Waste Seen In Magnesium Mill Building

"Fifty-seven per cent of the more than \$70,000,000 provided for the Basic Magnesium, Inc., plant near Las Vegas has been spent and only nine per cent of the workings completed," declared Sen. Berkeley L. Bunker of Las Vegas, Nev., in Salt Lake today, en route to Washington, D. C.

The Nevada senator has been conducting, with other Congressional leaders, an investigation of the light metal construction activities in his home state.

"Poor planning on the part of the Defense Plant Corporation and the plant management is responsible for the great waste," he pointed out. "Housing plans costing \$25,000 were drafted while duplicate plans were already in existence and available without cost."

"By all means, the investigation will be continued in Washington," he said, "and the Defense Plant Corporation will have to explain this to the committee's satisfaction."

**AMERICAN METAL MARK**  
"Leading Iron, Steel and Metal News"  
Recognized price and market authority  
New York City

MAR 25 1942

## Basic Magnesium, Inc. President Says Company Ended A Monopoly

According to an Associated Press dispatch from Las Vegas, Nevada, Howard P. Eells Jr., president of Basic Magnesium, Inc., told the Truman senatorial committee Tuesday that his company broke a monopoly held by American firms operating under German processes.

Mr. Eells said —

"If it had not been for my associates and myself, this nation would be dependent in the main on one producer, the Dow Chemical Company, and one fabricator, the Aluminum Company of America.

"Organizing of Basic Magnesium frees this country from depending on one source of supply."

## NEW LEADER WEEKLY

Published in the interest of the Socialist  
Labor Movement"

New York City

MAR 23 1942

## Senator Truman To Push WPB \$-a-Year Probe

WASHINGTON, D. C.—The problem plagued OPM, it harassed SPAB, and it now turns up in WPB, the War Production Board, to bother Donald Nelson; it's the sore spot of this war, the problem of the dollar-a-year men. Last week the resignation of Robert Guthrie again spotlighted the obstructionist activity of business men with vested interests serving in the government.

The Faddis Sub-Committee of the House Military Affairs Committee grabbed Guthrie for investigation, but once it got from him the story how scarce aluminum was being allotted to refrigerator production, it lost interest and proceeded to wind up the investigation; the Faddis Committee has defended business and industry. But the Truman Committee, which brought in a searing report many weeks ago on the dollar-a-year-men, is expected to hear Guthrie and keep the case going.

In the House, Representative Clinton P. Anderson intends keeping this ball rolling. In the House last week he attacked Arthur Bunker, head of the WPB Division of Aluminum and Magnesium for preventing the construction of a low-cost magnesium plant while vigorously aiding a high-cost project owned by the giant Dow Chemical Co. Bunker, a dollar-a-year man, is on loan from a New York bank where he receives \$60,000 a year.

Guthrie resigned after two quarrels with WPB officials. When deputy chief of the Industry Branches Division, he came into conflict with Philip Reed of General Electric, the director, over the issue of refrigerator conversion. After being demoted to head of the textile branch Guthrie clashed with two dollar-a-year-men over the issue of conversion of the woolen goods industry.

Seattle (Wn Post-Intelligencer)  
March 28, 1942

## The Menace of Monopolies

TWO stories in the day's news show the menace of monopolies—a menace that should be recognized particularly in this region, because Pacific Northwest development continues to be held back by monopolistic controls.

One of the stories is the amazing account of how synthetic rubber production in the United States has been held up as the result of an arrangement between an American corporation and a German corporation to divide world business.

That arrangement did not affect the Pacific Northwest as a region. But it has intensified the rubber shortage in the United States. It has delayed considerably the day on which the United States can hope to attain self-sufficiency in synthetic rubber production.

Fortunately that arrangement has been broken up. And everyone who is interested in winning this war should give the department of justice full credit for the vigorous action that will make it possible for American productive genius to replace the supplies of natural rubber lost to us through the Japanese conquests in the East Indies.

The other story deals with aluminum.

THE POST-INTELLIGENCER has commented many times upon the wastes involved in bringing aluminum ores from Dutch Guiana, giving them their first processing in the South and East, shipping the alumina to this state to be converted into aluminum ingots, shipping the ingots East for fabrication and then shipping the fabricated aluminum parts back to Pacific Coast airplane plants.

It is still a matter of dispute in the courts whether ALCOA, the Aluminum Company of America, is a monopoly within the meaning of the federal anti-trust statutes. Certainly the company has had a dominant influence in aluminum production. Some of that dominance has passed, as the result of the organization of new companies to take over parts of the war production program. But although Washington and other Western states have large quantities of alunite and other sources of aluminum, this country is still dependent for most of its aluminum upon bauxite from Dutch Guiana and the aluminum ingots produced at Vancouver, Wash., as one step in the production process, still go East for fabrication. Nor will a new fabrication plant, planned for California, entirely eliminate the uneconomic shuffling from one part of the country to another.

The report of the house appropriations committee hearings on the department of the interior shows that Secretary Ickes intends to use the bureau of mines to investigate deposits of alunite, aluminum bearing clays and other supplies of strategic and critical minerals.

The problem, however, is not entirely one of locating ore bodies. If there is to be full scale development of mines and factories local capital must evince some interest. Help is to be anticipated from the government in any line of production that has a bearing upon the war program, but the government should not be expected to do the whole job itself.

It is useless to expect much help from long established operators, now located in other sections of the country, who are very well satisfied with the status quo. But it is evident today that there was never a better time in which to break up the monopolistic controls which have put the brake upon Pacific Northwest development.

This region may look forward, not only to full scale aluminum and magnesium operations, but to an integrated iron and steel industry, if it takes advantage of its opportunities. But opportunity seldom knocks more than once.

WINNEMUCCA, NEV. STAR & STATE  
Cir. 3,807  
MARCH 27, 1942

## SEPARATE TOWN

The proposal to build a separate town to house workers at the magnesium plant was placed at the door of the Defense Housing Coordinator by J. D. Platt of Basic Magnesium Inc., testifying before the Truman committee this week at Las Vegas. Credit for forestalling the project was given by Platt to Senator Berkeley L. Bunker and Las Vegas civic leaders.

Pullman (Wn) Herald  
March 27, 1942

very considerate of our needs, which has helped us get in good shape."

DEAN A. E. DRUCKER, School of Mines: "Recent hearing conducted in Spokane by the Truman Light Metals committee of the United States Senate found all parties concerned agreeing on the wisdom of putting up a four million dollar plant in Eastern Washington to develop the Doerner magnesium process. The experimental plant at the college has been developed through five years of work by Henry Doerner, working with a staff of ten or fifteen men. Mr. Doerner is entitled to full credit for the pioneering which has been without any outside help until now."

RENO, NEV. JOURNAL  
Cir. 7,503  
MARCH 30, 1942

## Basic Refractories Probe Fails to Support Charges

Members of the Truman committee of the U. S. senate, engaged recently in an investigation of war production activities in the west, were in session for a day and a half last week at Las Vegas at the instance of Senator Berkeley L. Bunker of Nevada to consider charges by the Nevada senator against the management of the Basic Magnesium Inc. Upon announcing a recess, committee members said the hearing would be continued at a later date.

According to a report in the Las Vegas Review-Journal, the recess was called as the committee heard Senator Bunker charge that Howard Eells, Jr., president of Basic Magnesium, Inc., was "inefficient and incapable" of managing the big \$63,000,000 plant being erected near Las Vegas.

The committee announced that it plans to return to Washington and indicated that the hearing would be continued.

tion of the hearing will take place in the nation's capital.

The Truman committee started delving into the contractual set-up of the Las Vegas plant with Eells as the first witness.

Senator Mon C. Wallgren of Washington was the presiding officer with Senator Joseph H. Ball of Minnesota, Senator Harley M. Kilgore of West Virginia and Senator Bunker of Nevada occupying the bench. Hugh A. Fulton, chief counsel for the committee, conducted the inquiry with occasional questions from the senators.

During the course of Eells' testimony it was brought out that:

The stock in the corporation is divided 55 per cent to Basic Refractories, Inc., of Cleveland, Ohio, which Eells heads, and 45 per cent to Magnesium Electrons Co. of England.

Basic Refractories contributed magnesite deposits at Luning and management for their share of the stock and Magnesium Electrons contributed the "knowhow"—the process developed for producing magnesium in England and which was in use in two plants there.

Basic Magnesium, Inc., receives as compensation for various phases of the project:

1. Construction of the plant, one-half of one per cent of the cost, up to, but not exceeding the sum of \$300,000.

2. Operation, two per cent of sales, but not less than 1/2 cent a pound of metal produced, which on the basis of 112,000,000 pounds would amount to \$560,000 a year.

3. Furnishing the ore, one-fourth cent a pound for each pound of magnesium produced, if Basic Magnesium operates the plant, or one-half cent a pound if someone else is in charge of operation—a total of \$280,000 for the ore if B. M. I. operates.

4. A flat fee of \$1,000,000 if the operation of the plant is transferred to another firm.

Fulton delved deeply into Eells' past experience and his companies and discovered that the B. M. I. president had been connected with the operation of Basic Refractories, Inc., in Cleveland for 20 years; that he is also head of Atchison and Eastern Bridge Co.

Basic Refractories, Eells testified, represents an investment of "between three and four million dollars."

He traced the acquisition of the properties in northern Nye county from 1936 to the present time and said leases on the brucite claims were taken to provide raw materials for Basic Refractories, and the discovery of the vast deposit of magnesite came in connection with the brucite development.

Fulton dwelt at length on the amount invested in the Nye county property, finally arriving at a figure of approximately \$25,000 for the magnesite claims turned over to the government.

Eells declared there was 13,000,000 tons of ore blocked out in Nye county, basing his statement on drilling done so far and from reports.

Fulton brought out that many Basic Refractories executives brought to Las Vegas received substantial increases in salaries, and Eells explained this by stating they had more responsible positions.

Eells testified that during 1941 he had been paid \$18,000 for a half year's services as president of Basic Refractories and that he received \$25,000 for services rendered as head of Basic Magnesium during the second half of the year.

## ARMED FORCES HIT ON OUTPUT PLANNING

WASHINGTON, April 2.—Criticizing the nation's armed forces for a "poor job of over-all planning," the Senate defense investigating committee recommended today that the War Production Board draft a trained aircraft executive to direct a drive to break the bottlenecks which are "holding up peak production" in the war plane program.

Summarizing a sub-committee's visit to the West Coast, the committee reported that plane assembly lines in big plants were not running to capacity because of recurring shortages of some vital parts being produced by sub-contractors.

### CRITICIZE UNIONS

Pointing that it was "favorably impressed with some of the work being done by west coast shipyards," the committee criticized vigorously the part played by several of the craft unions.

"The jurisdictions of various unions over particular types of work seriously slows down production and increases costs considerably in some phases, particularly the fitting of ships

after launching," the report continued.

"A proposal was made by several group employers during the study of west coast plants, that yards employ members of the various crafts in an agreed upon proportion, but that once employed, there be no rigid restrictions on the type of work the individual employe might do."

The committee indicated that one of the chief difficulties in the aircraft industry on the West Coast was the conflict between the jurisdictional unions as to which should perform certain jobs.

### BLAMES PLAN

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the present situation," the committee said in its report. "The usual red tape and delays in making contracts also were partly responsible."

The committee recommended that the WPB set up a section charged with over-all planning for aircraft production, headed by a trained production executive drafted from the industry.

### NO EXPERT

"The subcommittee had been told," the report commented, "that the WPB still does not have a single top notch aircraft production man in its organization."

The report recommended also that "instead of wasting its energies on a generalized plea for 'all out production,' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the subcommittee's certain knowledge, and probably in other fields, really holding up peak production."

### FAILED MISERABLY

Reviewing the production of aluminum, the committee said that evidence gathered by its committee "indicated there is still something seriously wrong in the light metals section of the War Production Board, successor to the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

A subcommittee report urged that the government undertake commercial production of aluminum from alunite clays, which it said were plentiful in the Pacific Northwest.

The committee said that its investigation of ship building work had disclosed "truly amazing" progress in erecting yards. It commented also that labor relations in the plants it visited were "excellent."

### 48-HOUR WEEK

The committee found that employees in most west coast plants were working forty-eight hours a week, adding that "comments of several executives indicated that the overtime pay for the eight hours over forty was figured as part of weekly earnings and that if it were eliminated, it might be necessary to increase hourly rate to provide approximately the same weekly earnings."

"The committee believes that labor's organizations should seriously consider all proposals aimed at reducing production costs," the report said.

### ONLY BY REDUCING

"It is only by reducing our costs by more efficient methods until they are in line with those in the rest of the world that we can hope to utilize these tremendous production facilities after this war and keep their thousands of employes working."

The committee particularly criticized agreements between the Defense Plant Corporation and owners of magnesium properties.

It charged that the agreements provided for "exorbitant" payments to the magnesium mining concerns and asserted that "the terms seemed to put a premium

on mismanagement and incompetency." This particular accusation was made in connection with a deal between the Defense Plant Corporation and Basic Magnesium Inc., under which the latter would receive \$1,000,000 should the Defense Plant Corporation decide to dissolve the contract.

Visiting guayule rubber plantings at Salinas, the committee said it found that there was not now sufficient seed to make possible production in quantities sufficient to alleviate the rubber shortage within three or four years.

### EFFECTIVE DEFENSE

Inspecting defense installations on the West coast, the committee said it felt that "very effective measures have been taken to meet any attack." It said that while there was no technical unity of command, "there is complete unity of information." It added that in case of an attack "there would be as complete co-ordination of action as is possible without unity of command."

### LIST CHIEF PHASES

Devoting itself to six chief phases of the war effort, the committee made the following observations:

1. The light metals section of WPB has not remedied the ailments of the same division of the Office of Production Management, which it replaced and which the committee charged "failed miserably to anticipate and prepare for the demands for light metals;

2. The bottlenecks in the aircraft division of the WPB are holding up peak production;

3. Guayule rubber production cannot be expected to alleviate the nation's shortage for the next three or four years;

4. The jurisdiction of various unions is seriously slowing down shipbuilding.

5. The lengthening of the work week would not increase production;

6. West Coast defenses have been efficiently planned.

## Lack of Planning Blamed for Coast Non-Capacity Work

(By United Press Lensed Wire)

WASHINGTON, April 2.—The Senate committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

### LEASE AGREEMENT

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

### PAY HIGH FEES, SAY

The Defense Plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed August 13, 1941.

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

### RECOMMENDATIONS

The report signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D., Wash., and by committee chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. Aviation — Reports that workers are staging "slow-downs" seem to have little basis. Actually the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

2. Light metals.—An offer by the Permanente corporation, Permanente, California, to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferro-silicon process, but two units should be completed — one using this process and the other the Doerner process.

3. Shipbuilding.—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor.—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth-while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

5. Guayule rubber.—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on west coast.—The committee found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

## Armed Force, OPM Blamed for Coast's Plane Building Lag

### Senate Group Demands WPB Hire Air Boss

WASHINGTON, April 2. (UP)—The senate committee investigating the war program charged today 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

### Rips Profiteering

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for in connection with the construction of the Las Vegas plant, which is "only 9 per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 31, 1941.

### Too Many Fees

In addition to these charges, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Sen. M. C. Wallgren, Democrat, Washington, and by Committee Chairman Harry S. Truman, Democrat, Missouri, contained the following conclusions and recommendations:

1. AVIATION.—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probably loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public unobtainable ore for a magnesium plant at Las Vegas, Nev. It described the agreement as 'one of the most flagrant attempts at war profiteering to come to its (the committee's) notice.'

2. LIGHT METALS.—An offer by the Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted.

3. SHIPBUILDING.—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

# COMMITTEE BLAMES OPM, ARMY FOR AIRCRAFT SLACK

## Labor, Management Cleared Of Blame As Production Said Increasing Hourly

WASHINGTON, (UP)—The Senate committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WUB airplane section headed by a "trained aircraft production executive drafted from industry."

### PROFITEERING CHARGED

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

### FINANCIALLY NEGLECTANT

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 31, 1941.

### CONSTRUCTION FEE

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corporation, because of poor performance or any other reason, cancel

(Continued from Page One)  
BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year.

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D., Wash., and by Committee Chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. **AVIATION**—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

2. **LIGHT METALS**—An offer by the Permanente Corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferro-silicon process, but two units should be completed—one using this process and the other the Doerner process.

3. **SHIPBUILDING**—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. **LABOR**—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5. **GUAYULE RUBBER**—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. **DEFENSE INSTALLATIONS ON WEST COAST**—"The committee found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

PASADENA, CAL., STAR-NEWS  
Cir. 22,420  
APRIL 2, 1942

## Magnesium Plant Contract Held Profiteering

WASHINGTON, April 2. (UP)—

Included in the report of the Truman Defense Investigation Committee released to the Senate today, was an item concerning a lease agreement between the Defense Plant Corporation and a private firm for obtaining ore for a magnesium plant at Los Levas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9 per cent complete," as far as the metal-producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others."

LOS ANGELES, CALIF. DAILY NEWS  
Cir. 280,591  
APRIL 2, 1942

# Aircraft delay laid to bad planning

## Senate group exonerates Pacific coast war plants

WASHINGTON, April 2.—(UP)—The senate committee investigating the war program charged today 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.

In a formal report to the senate, based on the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the defense plant corporation and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not more than \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The defense plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9 per cent complete" as far as the metal-producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should defense plant corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would, under that contract, have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee, headed by Sen. Mons C. Wallgren, D., Wash., and by committee chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1—**Aviation**—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slowdown' to have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

2—**Light metals**—An offer by the Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferro-silicon process, but two units should be completed—one using this process and the other the Doerner process.

3—**Shipbuilding**—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said shipbuilding labor should consider all proposals aimed at reducing costs.

4—**Labor**—"In view of the present widespread demands for modification of the 40 hour week, the subcommittee believes it worth

while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production.

"It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5—**Guayule Rubber**—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6—**Defense Installations on West Coast**—"The committee found that although technically there is no unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command."

"It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

# WAR PROFITEERING CHARGES ARE MADE

## Basic Magnesium's Lease Is Scored By Senate Investigating Committee

Charge Lease Terms Put Premium  
On Mismanagement and Incompetency;  
Claim German Firm Interested in Licensee

WASHINGTON, April 2—(UP)—The senate committee investigating the war program charged a lack of "overall" planning by the armed services and held the now defunct office of production management responsible for the failure of west coast airplane plants to operate at full capacity.

In a formal report to the senate the committee absolved labor and management from blame for not reaching full production.

"The output is several times greater than a year ago, and is increasing monthly," reported the committee.

The committee report said that the war production board has not a single top-notch aircraft production man in the organization.

The committee described the lease agreement between the Defense Plant Corporation and a private firm for obtaining magnesium ore for the Basic Magnesium plant at Las Vegas as "one of the most flagrant attempts at war profiteering to come to the committee's notice."

The committee said the company is asking \$1 a ton royalty on ore, meaning an annual return of \$280,000 on a total investment of not over \$50,000.

The committee said "Basic is also to receive a fee for operating the plant, which at maximum production will equal \$560,000 a year for possibly 30 years, although it is not even sufficiently financially responsible to warrant leasing the property to it."

That the Defense Plant Corporation is paying "tremendous fees to Basic for technical knowledge," is also charged by the committee.

The claim is made by the committee that the "Las Vegas plant is only nine per cent complete as far as its metal-producing units are concerned."

The Basic also gets a \$300,000 fee, plus construction funds, for building the plant, "although it had little or no construction experience in the past, and although more than \$1,000,000 is to be paid for architectural and engineering performed by others."

"Should the Defense Plant Corporation because of poor performance or other reason cancel the Basic Magnesium, Inc., contract to operate the Las Vegas plant, it would, under that contract, have to pay Basic Magnesium, Inc. \$1,000,000 additionally, and BMI's royalties under the proposed lease would be doubled to \$2 per ton, or about \$560,000 yearly,

"The terms seem to put a premium on mismanagement and incompetency."

The report was signed by Senators Mon C. Wallgren of Washington, and Harry S. Truman of Missouri.

The investigation has not been completed.

The committee said that the government should not have gone ahead with construction of the Basic plant until full agreement had been reached on the terms of the lease.

The committee "ascertained that the English company, whose plant is being duplicated, is a licensee of the I. G. Farben (German firm), and it (the English company) does not claim to have the right, or claim the right to license the Basic plant operation.

"American patents controlling the process are held by the American Corporation, one-half of the

stock belonging to Alcoa; the other half belongs directly or indirectly to German interests."

RENO, NEV., GAZETTE  
APRIL 2, 1942

## Basic Magnesium Terms Exorbitant Says Committee

### Huge Scale Profits Sought at Las Vegas Plant Senators Say

Howard Eells, Jr., president of Basic Magnesium, Inc., accompanied by John W. Lowman, company official; Harley Lee, chief chemist, and Chief Engineer Patnoe, were expected in Reno this evening.

It was learned this afternoon that the party, which left Tonopah this morning en route from Las Vegas, spent the greater part of the day at the magnesite deposits northeast of Luning. Reservations had been made at a Reno hotel, it was reported.

WASHINGTON, April 2 (AP)—A senate sub-committee recommended today that the Defense Plant Corporation refuse to accept "any such exorbitant royalty terms" as proposed by Basic Magnesium, Incorporated, of Cleveland, for magnesite ore deposits which the company proposes to lease to the government for a \$63,000,000 magnesium plant at Las Vegas, Nev.

The Defense Plant Corporation agreed last fall to finance construction of the plant.

"This proposed lease appears to the sub-committee as one of the most flagrant attempts at war profiteering to come to its notice," said the report of the sub-committee of a group investigating the defense program.

The committee studied the project at a hearing in Las Vegas at the request of Senator Bunker (D-Nev.).

"Evidence," the sub-committee reported, "indicated that there is still something seriously wrong in the light metals section of the war production board, successor to the old office of production management section, which failed to anticipate and prepare for the greatly increased demand for these metals."

The committee, which said it would conduct further hearings in Washington, expressed opinion that "a plant, especially one of this magnitude ought not to have been commenced until after the Defense Plant Corporation had reached an agreement as to the terms of the license under which it was to operate and as to the cost of the raw material from which the magnesium was to be produced."

It declared that Basic Magnesium was to receive a fee for operation of the plant "which at maximum operation will equal \$560,000 a year over a possible period of thirty years, although it is not even financially responsible to warrant the leasing of the property to it."

"In addition," the report continued, "Basic Magnesium, Incorporated, is to receive a \$300,000 fee plus costs for construction and engineering services although it had little or no construction experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services to be performed by others on a cost-plus-fixed fee basis."

The report also asserted that should the Defense Plant Corporation "because of poor performance" cancel the Basic Magnesium's contract to operate the Las Vegas plant "it would under that contract have to pay BMI \$1,000,000. In addition, BMI's royalties under the ore lease would be doubled to two dollars a ton of \$560,000 a year. The terms seem to put a premium on mismanagement."

Discussing the royalties, the committee declared that the six hundred acres of ore deposits were claimed from the public domain by Basic Ores, "a subsidiary of Basic Refractories of Cleveland which owns fifty-five per cent of the BMI's stock and were turned over to BMI in return for such stock."

It continued that Howard Eells, president of BMI testified that "not over \$25,000 to \$50,000 was spent by his company in proving its claims to these deposits and in some surface explorations. Virtually no time and drilling has been done, yet BMI is asking the government to pay one dollar a ton royalty and all costs of quarrying for these ores, which if the plant operated at capacity would produce \$280,000 a year royalties on a total investment of not over \$50,000."

The committee also asserted the evidence at the Las Vegas hearing "created the impression that the Defense Plant Corporation is paying tremendous fees for 'know how' which so far has delivered miserable progress."

Testimony at the hearing in Las Vegas showed that Basic Magnesium, Incorporated, is to receive as compensation under the contract with the Defense Plant Corporation, the following:

Construction of the plant—one-half of one per cent of the cost, up to but not exceeding the sum of \$300,000.

Operation—Two per cent of sales, but not less than one-half cent a pound of metal produced, which on the basis of 112,000,000 pounds would amount to \$560,000 a year.

Furnishing the ore—One-fourth cent a pound for each pound of magnesium produced if BMI operates the plant; one-half cent a pound if someone else operates the plant.

A flat fee of \$1,000,000 if the operation of the plant is transferred to another firm.

1941-  
Truman investigation  
Profiteering  
creation  
Howard Cells

# Investigators Charge Lack of War Planning

## Nevada Plant Profiteering Is Assertion

Las Vegas Unit Is  
Said Only Nine  
Percent Complete

(United Press)

WASHINGTON—The Truman senate committee investigating America's war program charged today in presenting its report to the senate a lack of "overall" 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.

### ABSOLVES GROUPS

The formal report to the senate absolved both labor and management from blame for the fact that full production was not reached in the big plants.

"The output is now several times greater than a year ago and is increasing monthly," the report said. It was declared that the War Production Board has not one single top notch aircraft production man in its organization.

Nevada's new industrial area in the southern part of that state near Boulder dam likewise was brought into the report. It was charged that a lease agreement between the Defense Plant corporation and a private firm for obtaining magnesium ore for the Basic Magnesium, Inc. plant at Las Vegas, Nev., was "one of the most flagrant attempts at war profiteering to come to the committee's notice."

### ASKS ROYALTY

The report said the company was asking a \$1.00 a ton royalty on the magnesium ore, meaning an annual return of \$250,000 on a total investment of "not over \$50,000."

The report continued, "Basic Magnesium, Inc., also is to receive a fee for operating its big plant, which at maximum production would be equal to \$560,000 a year over a period of possibly 30 years. The corporation now is not even sufficiently financially responsible to warrant leasing the property to it."

It was charged that the Defense Plant corporation is paying "tremendous fees to Basic Magnesium for technical knowledge." The \$63,000,000 Las Vegas, Nev., plant is now only nine percent complete as far as metal producing units are concerned, it was said.

### HUGE FEE

Basic Magnesium will also get a \$200,000 fee plus construction

—Cont'd on Page 2, Col. 4

funds for building in the plant "although it had little or no construction experience in the past and although more than \$1,000,000 is to be paid for architectural services to be performed by others," according to the report.

"Should the Defense Plant corporation because of poor performance or any other reason cancel the Basic Magnesium, Inc., contract to operate the Las Vegas plant, it would under that contract have to pay Basic Magnesium \$1,000,000," the report said.

"Additionally, Basic Magnesium's royalties under a proposed lease would be doubled to \$2.00 a ton or \$560,000 yearly. Terms seem to put a premium on mismanagement and incompetency," according to the report.

Signing the report were Senators Mon C. Wallgren, D., Wash., and Harry Truman, D., Mo. Investigation of the Las Vegas operation has not been completed, it was stated.

### WANT AGREEMENT

The report urged that the government not go ahead with construction of the Las Vegas plant until a full agreement on license terms has been reached.

"It is ascertained the English company, whose plant is being duplicated, is an I. G. Farben process (Germany) and it (the English company) does not claim to have the right or claim the right to license operation of the Basic Magnesium plant. American patents controlling the process are held by an American corporation, one-half of whose stock belongs to the Aluminum corporation of America, and one-half directly or indirectly belonging to German interests," the report said.

"The committee investigated the war program charged today that a lack of 'overall' 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the

group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a

## Magnesium Plant Deal Opposed

WASHINGTON—A senate subcommittee recommended today that the Defense Plant Corp. refuse to accept "any such exorbitant royalty terms" as proposed by Basic Magnesium, Inc., of Cleveland, for magnesite ore deposits which the company proposes to lease to the government for a \$63,000,000 magnesium plant at Las Vegas, Nev.

The Defense Plant Corp. agreed last fall to finance construction of the plant.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," said the report of the subcommittee of a group investigating the defense program.

The committee studied the project at a hearing in Las Vegas at the request of Senator Bunker (D-Nev.).

"Evidence," the subcommittee reported, "indicated that there is still something seriously wrong in the light metals section of the war production board, successor to the old office of production management section, which failed to anticipate

## MANAGEMENT, LABOR ABSOLVED OF BLAME BY SENATE GROUP

WASHINGTON—The senate committee investigating the war program charged today that a lack of "overall" planning by the armed services and the now defunct office of production management is responsible for failures of west coast airplane plants to operate at full capacity.

In a formal report to the senate the group absolved labor and management from blame for not reaching full production. It added, however, that output is several times greater than it was a year ago and is increasing monthly.

Several subjects were covered in the report, including a lease agreement between the defense plant corporation and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev.

The report described the agreement as "one of the most flagrant attempts at war profiteering to come to the committee's notice."

## Solons Charge Lack of Over-all Planning By Armed Services And OPM Responsible For Plane Lag

WASHINGTON, April 2 (U.S.)—The senate committee investigating the war program charged today that a lack of "overall" 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a

lease agreement between the defense plant corporation and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. The report described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$250,000 compared to a total investment "of not over \$50,000."

To Receive Fee

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The committee said Basic Magnesium is to receive a \$200,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

## Labor, Management Absolved of Blame; Output Now Way Up

Washington, April 2.—(UP)—The senate committee investigating the war program charged today that a lack of "overall" 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. In a formal report to the senate, based upon the study of a special subcommittee from

March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$250,000 compared to a total investment "of not over \$50,000."

Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The defense plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine percent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

The committee said Basic Magnesium is to receive a \$200,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corporation, because of poor performance or any other reason, cancel BMT's contract to operate the Las Vegas plant, it would under that contract have to pay BMT \$1,000,000," the report said. "In addition, BMT's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

The terms seem to put a premium on mismanagement and incompetency."

## 4280 PCT. PROFIT SEEN IN WAR DEAL

### Senate to Sift Las Vegas Magnesium Plant Financing

By Cole E. Morgan  
(Special to the Los Angeles Examiner)

WASHINGTON, April 3.—Thorough Senate investigation of the \$63,000,000 Government loan to Basic Magnesium, Inc., a Cleveland (Ohio) corporation, to build a huge magnesium production plant at Las Vegas, Nev., for defense production, and the contract entered into with the concern for operation of the plant, was promised today.

It was disclosed in the Senate that the company stands to realize 4280 per cent on its \$50,000 investment and 42 officers of the concern are receiving "extortionate salaries."

Chairman Harry S. Truman of Missouri, of the special Senate committee investigating national defense production, announced the full committee would go thoroughly into the revelations made public yesterday by a subcommittee of the loose manner in which this magnesium deal was arranged to give Basic Magnesium, Inc., a profit of \$2,140,000 a year at the expense of the American taxpayers.

#### Whole Magnesium Deal Assailed

The subcommittee's report, or that part relating to the Las Vegas enterprise, was made the subject of a straight-from-the-shoulder speech on the Senate floor this afternoon by Senator Berkeley L. Bunker of Nevada, in which he assailed the whole magnesium transaction, and especially the unconscionable salaries being drawn by the corporation's executives in contrast to the petty amount of capital invested in the project.

Bunker is not a member of the Truman committee but accompanied the subcommittee on its recent investigation into the magnesium project at Las Vegas, and is personally familiar with what the subcommittee found there.

According to a report by H. G. Robinson, investigator for the Truman committee, under the contract with Basic Magnesium, the Government is obligated to make these payments to the concern:

1. Two hundred and eighty thousand dollars a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled to \$560,000 a year;
2. Five hundred and sixty thousand dollars a year over a period of 30 years for operation of the plant;
3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,
4. One million dollars if the contract is dissolved by the Government.

#### List of Salaries Read Into Record

In bringing the matter to the attention of the Senate this afternoon, Senator Bunker read into the record a list of what he described as "extortionate salaries paid out of taxpayers' money to officials of a racketeering industrial corporation which 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."

"It is interesting to note," said Senator Bunker, "the vast difference in the 4280 per cent of profit to be gained by this corporation and the 6 per cent profit voted by the House of Representatives in war industries."

"Before going farther, I shall read briefly from a report filed with the Senate yesterday by the special committee headed by Senator Truman of Missouri, which is investigating the national defense program. 'I extended an invitation to this committee late in Febru-

ary or early in March to send a subcommittee to Las Vegas, Nev., to look into what appeared to me to be some questionable conduct on the part of the officials of Basic Magnesium, Inc., of Cleveland, Ohio, for which the defense plant corporation is constructing a \$63,000,000 magnesium plant at Las Vegas.

"Some day next week when I have had time to assemble the information at hand, I shall tie the ends of this amazing scandal of war profiteering together. This information I intend to present to the Senate.

"Suffice it to say now that the investment of Basic Magnesium, Inc. of Cleveland, Ohio, in this deal in which the Government is putting out \$63,000,000 admittedly is not over \$50,000 and consists of 36 mining claims situated on the public domain, and a small amount of development work."

At this point Senator Bunker read that portion of the Truman committee report relating to the Government's arrangement with Basic Magnesium, Inc.

#### 12 Receive Salaries \$10,000 to \$36,000

Returning to the "extortionate salaries" list of 42 persons receiving from \$3900 to \$36,000 a year (12 of \$10,000 to \$36,000, nine between \$7000 and \$9600; 12 between \$6000 and \$6500, and nine from \$3900 to \$5720), Senator Bunker continued:

"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.

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

#### 'Losing Battle of Washington'

"As a passing comment I might point out—and it will add insult to injury—that the battle of the Pacific is not won, and to date the people of America are losing the battle of Washington.

"The figures I present are official and do not take into consideration any raise in pay which I understand has already been effected in some instances.

"It should be remembered that the salaries of these officials are being paid out of the taxpayers' money advanced to Basic Magnesium, Inc., of Cleveland, Ohio, operating in Nevada, by the Defense Plant Corporation.

"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."

As a concluding observation, Senator Bunker said:

"It is my humble and studied opinion that the members of this special committee investigating the national defense program are performing one of the greatest services to America that has been performed by any group who sit in the United States Senate."

## Senate Committee Recommends Refusal of Magnesium Terms

WASHINGTON, April 2 (AP)—A senate subcommittee Thursday recommended that the Defense Plant corporation refuse to accept "any such exorbitant royalty terms" as proposed by Basic Magnesium, Inc., of Cleveland, for magnesite ore deposits which the company proposes to lease to the government for a \$63,000,000 magnesium plant at Las Vegas, Nev.

The Defense Plant corporation agreed last fall to finance construction of the plant.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," said the report of the subcommittee of a group investigating the defense program.

The committee studied the project at a hearing in Las Vegas at the request of Senator Bunker (D., Nev.).

"Evidence," the subcommittee reported, "indicated that there is still something seriously wrong in the light metals section of the war production board, successor to the old office of production management section, which failed to

anticipate and prepare for the greatly increased demand for these metals."

The committee, which said it would conduct further hearings in Washington, expressed opinion that "a plant, especially one of this magnitude, ought not to have been commenced until after the Defense Plant corporation had reached an agreement as to the terms of the license under which it was to operate and as to the cost of the raw material from which the magnesium was to be produced."

It declared that Basic Magnesium was to receive a fee for operation of the plant "which at maximum operation will equal \$560,000 a year over a possible period of 30 years, although it is not even financially responsible to warrant the leasing of the property to it."

"In addition," the report continued, "Basic Magnesium, Inc., is to receive a \$300,000 fee plus costs for construction and engineering services, although it had little or no construction experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services to be performed by others on a cost-plus-fixed fee basis."

The report also asserted that should the Defense Plant corporation, "because of poor performance," cancel the Basic Magnesium's contract to operate the Las Vegas plant, "it would under that contract have to pay BMI \$1,000,000. In addition, BMI's royalties under the ore lease would be doubled to \$2 a ton, or \$560,000 a year. The terms seem to put a premium on mismanagement."

Discussing the royalties, the committee declared that the 600

acres of ore deposits were claimed from the public domain by Basic Ores, "a subsidiary of Basic Refractories of Cleveland, which owns 55 per cent of the BMI's stock and were turned over to BMI in return for such stock."

It continued that Howard E. Ellis, president of BMI, testified that "not over \$25,000 to \$50,000 was spent by his company in proving its claims to these deposits and in some surface explorations. Virtually at no time has drilling been done, yet BMI is asking the government to pay \$1 a ton royalty and all costs of quarrying for these ores, which, if the plant operated at capacity, would produce \$280,000 a year royalties on a total investment of not over \$50,000."

The committee also asserted the evidence at the Las Vegas hearing "created the impression that the Defense plant corporation is paying tremendous fees for 'know how,' which so far has delivered miserable progress."

## Basic Magnesium Hit In Committee Probe

### War Profiteering Laid At Door of Defense Plant Corporation

WASHINGTON, April 2 (U.P.)—The senate committee investigating the war program today charged that a lack of "over all" planning by the armed services and the now defunct OPM is responsible for the failure of western plane plants to operate at full capacity.

The committee absolved labor and management from blame in failing to reach full production, however, the report said that output is "several times greater" than a year ago and all war items are constantly increasing.

A major part of the report was devoted to an agreement between the defense plant corporation and a private concern for obtaining ore for the Basic Magnesium plant at Las Vegas, Nevada. It described the agreement as one of the "most flagrant attempts at war profiteering to come to the committee's notice."

#### Basic Magnesium

The plant, it said, would be operated by Basic Magnesium, Inc., which is also to supply the ore from six hundred acres of deposits. The company, the committee said, is asking one dollar a ton royalty on the ore, which would mean an annual return of \$280,000 compared to a total investment of "not over \$50,000". It said Basic Magnesium Inc. is also to receive a fee for operation of the plant, which at maximum production will equal \$560,000 a year over a period of possibly thirty years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it.

The report said the defense

## Magnesium Plant Contract Held Profiteering

WASHINGTON, April 2.—(U.P.)—The Truman investigating committee criticizes terms of a Federal contract with a private firm that is to produce magnesium at Las Vegas, Nevada.

The committee says the contract with Basic Magnesium, Incorporated, is one of the most flagrant attempts at war profiteering ever to come to the committee's attention. The report says that Basic Magnesium will receive a fee for constructing the plant, another fee for operating it, and still another payment for magnesium ore. Each fee, says the committee, is too large.

The report charges that other terms of the contract seem to put a premium on mismanagement and incompetency. The report referred specifically to a clause calling for the government to give Basic Magnesium one-million dollars in case the contract is cancelled. And in such an event, the government also would have to double its royalty payments for the magnesium ore.

# SOLONS REPORT ON BMI INQUIRY

NEW YORK, N.Y. WORLD  
TELEGRAM, Ch. 512,586, Sect. 3, 1942  
APRIL 2, 1942

## Lag in Planes Laid To OPM and Army

Senators Call Magnesium Lease 'Flagrant Profiteering Attempt'

By the United Press.

WASHINGTON, April 2.—The Senate committee investigating the war program asserted today 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 capacity.

### Slowdowns Denied.

In a formal report to the Senate, based upon study by a special subcommittee from March 9 to March 25, the committee absolved labor and management from blame for not reaching full production. It added that output is "several times greater than it was a year ago" and is increasing monthly.

### Expert Needed.

The committee said the present War Production Board has not a "single topnotch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual re-

turn of \$280,000, compared to a total investment "of not over \$50,000."

### Tremendous Fees.

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9 per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

### Penalty Clause.

In addition to these charges, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "all of the work week would increase though it had little or no construction experience in the past," and although more than \$1,000,000 from an executive in the one plant is to be paid for architectural and engineering service to be performed by others.

The subcommittee noted that "Should Defense Plant Corp. employees in most of the plants because of poor performance (were working 48 hours a week, any other reason, cancel BMI and executives believed that contract to operate the Las Vegas plant, it would under that contract have a pay BMI \$1,000,000, demands for an increase in hourly the report said. "In addition pay rates. BMI's royalties under the proposed ore lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Senator Wallgren (D., Wash.) and by Committee Chairman Truman (D., Mo.), contained the following conclusions and recommendations: Aviation—Reports that workers are staging slowdowns seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days, with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course."

### Permanent Offer.

"However, individual workmen, unaware of all the facts, but knowing the plant was not operating at full capacity, have charged a deliberate slowdown existed, and their stories have created public uneasiness."

Light Metals—An offer by the Permanente Corp., Permanente, Cal., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane should not be built entirely around the ferrosilicon process, but two units should be completed, one using this process and the other the Doerner process.

Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are

being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

### 40-Hour Week.

Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening actual building of the plant, "all of the work week would increase though it had little or no construction experience in the past," and although more than \$1,000,000 from an executive in the one plant is to be paid for architectural and engineering service to be performed by others."

The subcommittee noted that "Should Defense Plant Corp. employees in most of the plants because of poor performance (were working 48 hours a week, any other reason, cancel BMI and executives believed that contract to operate the Las Vegas plant, it would under that contract have a pay BMI \$1,000,000, demands for an increase in hourly the report said. "In addition pay rates. BMI's royalties under the proposed ore lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

## Plant Operations Criticized Today In Report Handed Down By Senators

Contract Held As "Flagrant Attempt At War Profiteering" By Investigators.

### DETAILS OUTLINED

Basic Magnesium Plant Said Now Only Nine Per Cent Ready For Production.

WASHINGTON, April 2 (U.P.)—

The Truman committee, representing the United States senate in an investigation of the nation's war program, today charged that the lack of "overall" planning by the armed services and by the now defunct office of production management (OPM) were responsible for the failure of the west coast airplane plants to operate at full capacity.

In a formal report to the senate, the committee which is headed by Senator Harry S. Truman, D., Mo., absolved labor and management from blame for the failure of the production plants to reach full production.

The report said that aircraft production is "several times greater than a year ago and is increasing monthly."

The committee criticized the federal check on war production by declaring that the war production board hasn't a single top-notch aircraft production man in the organization.

The committee took a rap at Basic Magnesium, Inc., and described the lease agreement between the defense plant corporation and Basic Magnesium for obtaining magnesium ore for the huge \$63,000,000 plant near Las Vegas, Nevada, as "one of the most flagrant attempts of war profiteering to come to the attention of the committee."

The senate investigators said the private company is asking one dollar a ton royalty on the magnesite ore which means an annual return of \$280,000 on a total investment of "not over \$50,000. The committee said the Basic Magnesium company is also to receive a fee for operating the new Las Vegas plant which at maximum production would be equal to \$560,000 per year over a period extending up to 30 years.

Declaring that although Basic Magnesium is not even sufficiently financially responsible to warrant the leasing of the plant to it, the committee charged that the defense plant corporation "is paying tremendous fees to Basic Magnesium for technical knowledge."

The committee said that the plant at Las Vegas now is only nine per cent complete as far as metal producing units are concerned. The solons said the Basic Magnesium company also will receive a \$300,000 fee plus construction funds, for the building of the plant "although the company has had but little or no construction experience in the past and although more than \$1,000,000 is to be paid for architectural, and engineering services

to be performed by others outside of the company."

The Truman committee concluded a two-day inquiry of Basic's set-up held in Las Vegas on March 24, 25. The committee questioned at length Basic's president, Howard P. Eells, Jr., and others connected with the firm. Eells told of the Basic-Defense Plant Corp., agreements as he testified before the committee.

Members of the committee who conducted the Las Vegas inquiry included Senators Mon C. Wallgren of Washington, Joseph H. Ball of Minnesota, and Harley M. Kilgore of West Virginia. Senator Berkeley L. Bunker, who has charged the Basic company with "mismanagement and inefficiency," also sat with the committee during the Las Vegas inquiry.

The senate investigators explained the contract between the magnesium company and the defense plants corporation by declaring that "should the defense plant corporation, because of poor performance or for some other reason, cancel its contract with Basic Magnesium to operate the Las Vegas plant, it would under the contract, be forced to pay the magnesium company \$1,000,000.

"In addition, Basic Magnesium's royalties under the proposed lease would be doubled to two dollars per ton for the magnesite ore or to \$560,000 yearly."

"These terms seem to put a premium on mismanagement and incompetency," the statement charged.

The senate committee's report was signed jointly by Senators Truman and Wallgren. It was also pointed out that the investigation into Basic Magnesium's operations has not yet been completed and that further hearings will probably be opened in Washington.

The committee also criticized the defense plant corporation by declaring the government should not have gone ahead with the construction of the Las Vegas plant until it had reached a full agreement on the license terms.

"It was ascertained that an English company," said the statement, "of which the Las Vegas plant is a duplicate, is an I. G. Farben (German company) license and that it (the English company) does not claim to have the right or claim to the right to license the process to be used in the Basic's plant at Las Vegas."

"American patents controlling the proceeds are held by an American corporation of which one-half of the stock belongs to the Aluminum Corporation of America, and one-half of the stock indirectly owned by German interests."

VENTURA, CALIF., WEEKLY POST  
CH. 200  
APRIL 3, 1942

## See How Senator Downey Put Committee at Work!

(By Nate White in Christian Science Monitor)

Many San Franciscans are quietly asking why a senate subcommittee charged with investigating progress of the war industrial program on the west coast should not be investigated.

Discontent with the public hearings here by a subcommittee of the senate group, headed by Senator Harry S. Truman (D) of Missouri, was expressed when an investigation of the vital shipbuilding program of this west coast center was sidetracked obviously for senatorial courtesy. Instead the subcommittee spent most of its time on a series of public works projects of dubious importance at the present time.

Although Donald M. Nelson, war production chief, had called for more and more ships and rumors were rampant here that the shipbuilding industry was clogged by numerous difficulties, the Truman subcommittee, composed of Senators Mon C. Wallgren (D) of Washington, Harley M. Kilgore (D) of West Virginia, and Joseph H. Ball (R) of Minnesota, bowed to an agenda arranged by Senator Sheridan Downey (D) of California as "senatorial courtesy."

### TIME-CONSUMING SORTIE

This traditional courtesy might have been approved by Californians if Senator Downey had arranged an agenda here in San Francisco which pertained to the vital and all-important question of winning the war. Instead, the subcommittee took up valuable, limited time discussing an elaborate scheme for completely remaking San Francisco bay, dividing it into two fresh-water lakes and one salt lake.

Senator Downey was anxious to see this mammoth project, calling for the largest naval and air bases in the world, with huge underground depots hollowed out of hills surrounding the bay, thoroughly investigated by the senators. The proposition, widely admired, is the conception of John Reber. It parallels in elaborate detail France's great Maginot line and is based on the same theory—the theory of defense.

Although Rear Admiral John W. Greenslade, commandant of

the 12th naval district, said he opposed undertaking the project, since there was great danger that inflowing ocean tides would fill up the Golden Gate with silt, and possible bombings might bottle up important naval installations, witnesses were still heard in support of the project.

Following this sortie into rearranged geography, the senators then moved to the question of sardine fishing in Monterey bay. Senator Downey explained that he was not concerned about sardines in tins but about the vital chemicals from fish which would be of use to war industries. The senators expressed concern that the navy's conscription of fishing boats was too complete and that destruction of the west coast fishing industry might cause the nation serious difficulties.

### EFFECT ON HENS

The poultry industry, it seems, may also be affected by a fish shortage. Egg laying might fall off as much as 70 per cent, it was explained, if hens do not have fish meal to eat.

On the side in executive session the senators heard Henry J. Kaiser, western industrial magnate, president of the Permanente Magnesium corporation and of shipbuilding yards here, explain that everything was going along smoothly. They later visited the Permanente plant.

On the matter of ships, Senator Wallgren explained that until three days before the hearings he and his colleagues had not heard of the bay area's shipbuilding problems. "We left it all up to Senator Downey," he said. Senator Wallgren promised that in about three weeks the subcommittee might return to look into ships.

Explaining his plan to remake San Francisco bay, Mr. Reber estimated that with "all the available machinery in the west" it could be completed in two years. It envisions two cross-bay moles, requiring 400 acres of rock stacked 40 feet high would be hollowed out of the hills so as to leave caves, plus a number of locks and spillways. It would create bay wharves with a 50-foot draft for 200 miles and raise the level of the bay nine feet.

# Lack Of Planning Blamed For Delay In Aircraft Output

Senate Committee Finds Armed Services and OPM At Fault; Labor and Management Absolved; Profiteering in Magnesium Charged

By The United Press

WASHINGTON, April 2—The Senate committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single top-notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

## Profiteering Charged

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It describes the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

## Other Fees Due

"Basic Magnesium, Inc. is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the

lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course.

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

2—Light Metals—An offer by the Permanente Corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the Doerner process.

3—Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4—Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5—Guayule Rubber—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6—Defense installations on West Coast—"The committee 'found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

In addition to these fees, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than one million dollars is to be paid for architectural and engineering services to be performed by others.

"Premium On Incompetency" "Should the Defense Plant Corp., because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI one million dollars," the report said. "In addition, BMI's royalties under the proposed ore lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Senator Mon C. Wallgren (D., Wash.), and by Committee Chairman Harry S. Truman (D., Mo.), contained the following conclusions and recommendations:

1—Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then

Commenting that it had been informed the war production board "still does not have a single top-notch aircraft production man in its set-up," the committee recommended that the production agency draft one immediately.

## MEN WORKING 48 HOURS

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most west coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and half pay for all work in excess of that period.

## PROFITEERING HIT

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corp. reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

# PROBERS TELL MAGNESIUM PLANT 'STEAL'

Las Vegas Project Is  
Flagrant Profiteering,  
Says Senate Committee

By United Press Staff Wire

WASHINGTON, April 2—The Senate Committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc. is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one-year lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D., Wash., and by Committee Chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors

who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

2. Light metals—An offer by the Permanente Corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the Doerner process.

3. Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were

working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5. Guayule rubber—"There appears to be no question but that rubber can be produced on a commercially sound basis from Guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on West Coast—"The committee 'found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

# War Production Probe Blames Bad Planning

WASHINGTON, April 2 (UP).—The Senate committee investigating the war problem charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago," and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

## CITES BAD LEASE

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corporation and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc. is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The report, signed by members of the subcommittee headed by Senator Mons C. Wallgren (Dem.), Washington, and by Committee Chairman Harry S. Truman (Dem.), Montana, contained the

## good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5. Guayule rubber—"There appears to be no questions but that rubber can be produced on a commercially sound basis from Guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on west coast—"The committee 'found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared to the subcommittee that very effective means have been taken to meet any possible attack."

# Vital Parts Seen Bottleneck

WASHINGTON, April 2 (A.P.)—

The senate defense investigating committee, blaming the situation on poor planning, today reported that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the senate, the committee said a subcommittee which recently visited the west coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4000 subcontractors who supply parts.

## NO AIRCRAFT EXPERTS

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (office of production management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

# DENVER MINING RECORD & MACHINERY JOURNAL

Over 50 years the leading mining newspaper of the nation. Published every Saturday.

1829 Chambers St., Denver, Colorado

## COMMITTEE OF UNITED STATES SENATE LEARNS ENGLISH HAVE LARGE INTEREST

### Head of Company Says Luning Brucite Claims Have Immense Tonnage and Will Provide Magnesium at Lowest Possible Cost in This Hemisphere.

Las Vegas, Nev.—With Howard Eells Jr., president of Basic Magnesium Inc., as the first witness, the Truman committee of the U. S. Senate started delving into the contractual setup of the Las Vegas magnesium plant.

Questioned on the source of supply of magnesite, Eells said there had been many rumors as to the quantity and grade of the Luning deposit and indicated these had been started to discredit the material with a view to bringing about the use of dolomite deposits nearer the plant.

"I wish to say that our deposits will provide magnesite at the lowest possible cost in this hemisphere and that with the available supply of salt and cheap power, and all other necessary elements, it will be the soundest magnesium operation in the world," Eells said.

During the course of Eells' testimony it was brought out that:

Basic Magnesium Inc. is a company formed to carry out a contract with the U. S. Defense Plants Corp. for the construction and operation of a magnesium plant to produce 112,000,000 pounds of the vital metal per year.

The stock in the corporation is divided 55% to Basic Refractories of Cleveland, Ohio, which Eells heads, and 45% to Magnesium Electronics Co. of England.

Basic Refractories contributed magnesite deposits at Luning, Nev., and management for their share of the stock, and Magnesium Electronics Co. contributed the "know how"—the process developed for producing magnesium in England and which was in use in two plants there.

Basic Magnesium Inc. receives as compensation for various phases of the project:

1. Construction of the plant, 1/2% of the cost up to but not exceeding the sum of \$300,000.
2. Operation 2% of sales but not less than 1/2¢ a pound of metal produced, which on the basis of 112,000,000 pounds would amount to \$560,000 per year.
3. Furnishing the ore, 1/4¢ a pound for each pound of magnesium produced if Basic Magnesium operates the plant or 1/2¢ a pound if someone else is in charge of operation—a total of \$280,000 for the BMI operates.
4. A flat fee of \$1,000,000 if the operation of the plant is transferred to another firm.

Mr. Eells told the Truman committee that he and his associates had smashed the monopoly of the Aluminum Corp. of America in the light metal field, when he declared that if it were not for them "The United States would now be dependent on one producer and one fabricator" for its entire supply of vital magnesium.

"The Dow Chemical Co.," Eells explained, "was the only concern in America with a proven process for the production of magnesium. They were under contract to the Magnesium Development Co. for their entire output and this concern was owned 50% by Aluminum Corp. and 50% by a German firm."

"When my company, with a proven process for producing magnesium, was awarded the contract by the Defense Plants Corp. for construction of this plant, we freed the country from this monopoly," Eells declared.

This statement came at the opening of the BMI president's testimony at the afternoon session of the committee and provided the first insight into the rumored behind-the-scenes battle to prevent the introduction of the British process into this country.

Asked about the Permanente plant, Eells said the process had never been proven and predicted it would never

get into commercial operation.

He said the first unit of BMI's plant would start operating July 1, and that "within five or six weeks" will be producing the first metal magnesium.

Basic Refractories, Eells testified, represents an investment of "between \$3,000,000 and \$4,000,000."

He traced the acquisition of the properties near Luning from 1936 to the present time and said leases on the brucite claims were taken to provide raw materials for Basic Refractories and that the discovery of the vast deposit of magnesite came in connection with the brucite development.

Hugh A. Fulton of the senate investigating committee dwelt at considerable length on the amount invested in the Luning project, arriving at a figure of approximately \$25,000 for the magnesite claims turned over to the government.

Eells declared there was 13,000,000 tons of ore blocked out at Luning, basing his statement on drilling done to date and reports by bureau of mines geologists. Under Fulton's questioning, Eells said the drilling had been done on the brucite claims and not on the magnesite claims turned over to the government, but that the results of the brucite tests had given them a clear idea of what is to be found in the magnesite area adjoining.

Fulton brought out that many Basic Refractories executives brought to Las Vegas received substantial increases in salaries, and Eells explained this by stating they had more responsible positions and that living costs were higher here.

APR. 2, 1942  
SHERMANOAH, IA. SENTINEL

## CONDEMN CONTRACT

Investigating Committee Criticizes Terms of Production Pact

Washington, (UP)—The Truman investigating committee criticizes terms of a federal contract with a private firm that is to produce magnesium at Las Vegas, Nevada.

The committee says the contract with Basic Magnesium, Incorporated, is one of the most flagrant attempts at war profiteering ever to come to the committee's attention. The report says that Basic Magnesium will receive a fee for constructing the plant, another fee for operating it, and still another for magnesium ore. Each fee, says the committee, is too large.

EAGLE  
Brooklyn, N. Y.

APR 2 1942

## SENATE PROBES HIT ARMY, NAVY, OPM ON PLANES

### Blame Lack of Planning For Failure to Get Full Output at Coast Plants

Washington, April 2 (U.P.)—The Senate committee investigating the war program charged today 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.

In a formal report to the Senate the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single topnotch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

### Flagrant Profiteering Charged

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corporation and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property of it," the report said.

Boise (Ida) News  
April 2, 1942

## Solons Score War Board

WASHINGTON (UP)—The senate committee investigating the war program charged Thursday 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp., and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

Nampa (Ida) Free Press  
April 2, 1942

## Lack Of Planning Charged

### Senate Committee Fixes Blame for Arms Lag

WASHINGTON, April 2 (UP)

The senate committee investigating the war program charged today 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

### War Profiteering Hit

A number of subjects were covered in the report, including a lease agreement between the defense plant corp., and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The report, signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D. Wash., and by committee Chairman Harry S. Truman, D. Mo., contained the following conclusions and recommendations:

### No Slowdowns Found

1. Aviation—reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

2. Light metals—an offer by the Permanente Corporation, Permanente, Cal., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium should be built around the ferro-silicon process, but two units should be completed—one using this process and the other the Doerner process.

3. Shipbuilding—"although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

4. Labor—"in view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

### Work Week Long Enough

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5. Guayule rubber—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on west coast—the committee "found that although technically there is not unity of command, there is complete unity of information and that in case of an attack, there would be as complete coordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

# WPB Plane Czar Urged In Truman Report; OPM Hit

WASHINGTON, April 2.—(U. P.)—The senate committee investigating the war program charged today 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the committee, headed by Senator Harry Truman, Missouri, Democrat, absolved labor and management from blame for not reaching full production. It added, however, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single top-notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

## Scores Magnesium Lease.

The report said a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev., was "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., which also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., also is to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of thirty years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9 per cent complete" as far as the metal producing units are concerned.

## Other Huge Fees.

In addition, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The report, signed by members of the subcommittee headed by Senator Mon C. Wallgren, Washington, Democrat, and by Committee Chairman Truman, contained the following conclusions and recommendations:

1. AVIATION — Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

2. SHIPBUILDING — "Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

3. LABOR — "In view of the present widespread demands for modification of the forty-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working forty-eight hours a week.

4. GUAYULE RUBBER — "There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

5. DEFENSE INSTALLATIONS ON WEST COAST — The committee "found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

From  
PRESS  
Pittsburgh, Pa.

APR 3 1942

## President of Firm Silent on Charges

By The United Press

RENO, Nev., April 3—Howard P. Ellis, president of Basic Magnesium, Inc., charged by the Senate committee investigating the war program with a "flagrant attempt at war profiteering" today said "I have no statement to make."

"I could say lots of things. But I have no statement," Ellis said. Magnesium is used for airplane production and incendiary bombs.

NEW YORK, N. Y. MIRROR  
Cir. 756,376, Sun. Cir. 1,467,325  
APRIL 3, 1942

## Claim Magnesium Firm May Get 30-Million on \$50,000

WASHINGTON, April 2 (AP).—The Senate Defense Investigating Committee today cited as "one of the most flagrant attempts at war profiteering" the case of a magnesium firm which allegedly will make nearly \$1,000,000 a year for possibly 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a plant for the Government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It declared the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of \$280,000, and "is also to receive a fee for operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

# Planning In War Effort Is Lacking

## Rank Profiteering Charged by Senate Investigators

WASHINGTON, April 2—(U. P.)—The Senate committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

## Profiteering Charged

A number of subjects were covered in the report, including a lease agreement between the Defense Plant corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

## Huge Fees Paid

The Defense Plant corp., is paying "tremendous fees" to Basic Magnesium for in connection with the construction of the Las Vegas plant, which is "only nine percent complete" as far as the metal producing being built is truly amazing, and units are concerned. The report pointed out that the original contract was signed August 13, 1941.

In addition to these charges, the committee said, Basic Magnesium is to receive a \$300,000 construction

fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed ore lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Sen. M. C. Wallgren, D., Wash., and by committee chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. Aviation—reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probably loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

2. Light metals—an offer by the Permanente corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted.

3. Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built is truly amazing, and their stories have created public uneasiness."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5. Guayule rubber—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. How to get sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years is the problem."

6. Defense installations on west coast—The committee "found that although technically there is no unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command."

# Profiteering in Magnesium?

By GEORGE E. REEDY JR.

(United Press Staff Correspondent)

WASHINGTON, April 2.—The Senate War Program Investigating Committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of \$280,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if Defense Plant Corp. should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay BMI \$1,000,000." Additionally, BMI's royalties under the proposed ore lease "would be doubled to \$2 a ton or \$560,000 a year."

The committee recommended that Defense Plant Corp. refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said that:

1. A lack of "over-all" planning

by the now defunct Office of Production Management and the armed services is responsible for the failure of West Coast airplane plants to operate at full capacity. The report absolved labor and management from blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply assembly plants.

The committee, asserting the War Production Board has not a "single top notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

2. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. . . . It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

3. Shipbuilding: The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards which were mud flats only a year ago is truly amazing. . . ."

It said shipbuilding labor should consider "all proposals aimed at reducing costs."

4. Guayule rubber: "There appears to be no question but that rubber can be produced on a commercially sound basis from Guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities 'sufficient to alleviate markedly our rubber shortage within three or four years.'"

5. West Coast defense: The committee said it found that "although technically there is not unity in command, there would be as complete coordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

SAN DIEGO, CAL., TRIBUNE SUN  
Cir. 69,881  
APRIL 3, 1942

## Senate to Probe Millions in U.S.-Mine Deal

WASHINGTON, April 3 (I.N.S.)—The special senate defense committee today announced an investigation will be made into a \$70,000,000 government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corp., to Basic Magnesium, Inc., of Nevada, for production of magnesium needed in the defense effort. Committee members said the loan was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, the government is obligated to pay to the Nevada firm \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own and if the firm is not permitted to operate the plant, the royalties are to be doubled; \$560,000 a year, over a period of 30 years, for operation of the plant; \$300,000 fee, plus cost, for construction and engineering services in which the firm, it was said, has had no experience, and \$1,000,000 if the contract is dissolved by the government.

## Senators to Probe 'Profiteering' Loan From Govt. to Firm

WASHINGTON (INS) — The special senate defense committee announced Friday an investigation will be made into a \$70,000,000 government loan to a Nevada mining company, and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant corporation to Basic Magnesium, Inc., for the production of magnesium needed in the defense effort, without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium the government is obligated to make these payments to the firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled.

2. \$560,000 a year over a period of 30 years for operation of the plant.

3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience.

4. \$1,000,000 if the contract is dissolved by the government.

# Red Tape Hit for Lag in U. S. Arms Output

BY COLE E. MORGAN.  
(Special to the Herald-American.)

WASHINGTON, April 3.—Charges that the national defense effort is being slowed down by jurisdictional labor disputes, government red tape and poor planning were made yesterday in the Senate in a report of the special investigating committee, headed by Senator Truman (D., Missouri).

The report noted that ship and aircraft production, all important in the war program, were not being pushed at maximum speed.

The committee revealed that airplane assembly lines could not be operated at full capacity because of "a poor job of over-all planning."

The report, dealing specifically with six aspects of the defense production reviewed the handicaps and delays in production of magnesium and aluminum, aircraft building, shipbuilding, guayule rubber growing, labor and defense installations.

It was prepared on the basis of first-hand information gathered on visits to and investigations of progress, or lack of progress, at defense industries largely on the Pacific coast and on testimony taken at public hearings in west coast industrial centers, by members of the committee between March 9 and 25.

The committee was frank in its criticisms of the several causes of delay. At the same time it bestowed praise where the performance records revealed accelerated activity.

Taking up aircraft production, the report said in part:

"The sub-committee repeatedly heard rumors and reports of 'slow-downs' in west coast aircraft plants, sometimes blamed on management and sometimes on labor. It investigated these reports exhaustively, as well as the general aircraft production program, and found these facts:

"Aircraft production in west coast plants now is several times greater than it was a year ago, and is increasing every month.

"The big aircraft factories are primarily assembly plants, doing only a small part of their own manufacturing, and depending on anywhere from 1,000 to 4,000 suppliers of parts and sub-assemblies to keep their main assembly lines going.

"When the big expansion of aircraft plants was undertaken a year or more ago, no attention was paid to the necessity of expanding at the same time the facilities of the thousands of subcontractors who supply parts and sub-assemblies. As a result, in some vital airplane parts, production is not up to the capacity of the big assembly plants to absorb them.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity. Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days, with probable loss of morale and training, mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course.

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness. Actually, every effort is being made to break these 'bottlenecks' and the sub-committee is hopeful that assembly lines will soon be able to operate at peak capacity.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old O.P.M. (office of production management) must be blamed for the present situation.

## Red Tape Blamed for Many Delays

"The usual red tape and delays in making contracts also were partly responsible. The sub-committee recommended:

**A.** That the W.P.B. set up a section charged with over-all planning for aircraft production, such section to be headed by a trained aircraft production executive drafted from the industry. The sub-committee has been told that the W.P.B. still does not have a single top notch aircraft production man in its organization.

**B.** That instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor, and the public, the W.P.B. concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the sub-committee's certain knowledge and probably in other fields, really holding up peak production."

Two sub-committees composed of Senators Wallgren of Washington, Kilgore of West Virginia, and Ball of Minnesota, one headed by Wallgren dealing with light metals



SENATOR TRUMAN  
Tells of arms lag.

and aircraft, and the other, headed by Kilgore, dealing with shipbuilding, held hearings in Spokane, Wash.; San Francisco and Salinas, Cal.; and Las Vegas, Nev., and executive conferences in Seattle, Los Angeles and San Diego.

Six large aircraft plants were looked over and conferences held with their executives. Army and navy installations in Washington and California were inspected and four West Coast shipyards were visited, meetings held with their managements.

In addition the committee members inspected the guayule rubber development at Salinas, where a hearing was held at the Permanente metals magnesium plant at Permanente, Cal. Senator Downey of California joined them at San Francisco, Salinas and Los Angeles and Senator Bunker of Nevada at Las Vegas. Hugh A. Fulton, chief counsel for the committee, accompanied them as legal adviser.

On the magnesium and aluminum phase of the investigation, the committee report said in part:

"The sub-committee explored in considerable detail the various processes for producing magnesium from magnesite or dolomite ore proposed to be used in the various plants contracted for or building on the west coast, including the so-called Doerner process developed by Dr. Doerner and used in a pilot plant at Pullman University, Washington.

## See Prompt Setup of War Production

"The so-called Hansberg process used at Permanente, the Doerner process in the pilot plant stage at Pullman, and the ferrosilicon process proposed for the 48,000,000-pound plant the government is building for operation by Reynolds Metals at Spokane are all similar in that they are thermal processes.

"In view of the urgent need for magnesium and the fact Permanente has proven its ability to produce the metal, though at a cost making commercial operation impossible immediately, it has proposed to the government that it

contract to buy all magnesium metal produced at Permanente at the out-of-pocket cost, plus reasonable depreciation, but with no profit, and on the basis of such an agreement, subject to cancellation on forty-eight hours' notice.

"Permanente officials told the sub-committee they would immediately proceed to complete all units of the plant and get them into operation using the process as proven to produce magnesium, meanwhile continuing their work on improvements in the process to lower costs.

"The sub-committee recommends:

**A.** That the government accept the Permanente proposal and is confident that it will result in immediate production in large quantities of this metal so urgently needed for the war effort.

**B.** That instead of building the entire plant at Spokane around the ferrosilicon process, the government rush to completion two units, one using the ferrosilicon and the other the Doerner process, and then complete other units of the plant to use whichever process proves the most economical and efficient on a commercial scale.

"The sub-committee has not completed its investigation of the B.M.I. (Basic Magnesium Inc.) plant at Las Vegas, further hearings being planned in Washington, and is not ready to submit final recommendations.

"The facts disclosed at Las Vegas created the impression that D.P.C. (Defense Plant Corporation) is paying tremendous fees for 'know how' which so far has delivered miserable progress, the metal producing units being only 9 per cent complete although the contract was signed August 13, 1941.

"The sub-committee is prepared now to urge most strongly that D.P.C. refuse to accept any such exorbitant royalty terms as proposed by B.M.I. and those associated with it, for the magnesite ore deposits which it proposes to lease to the government for operation of this plant.

## B. M. I. Asks \$1 a Ton Royalty

"These 600 acres of ore deposits were claimed from the public domain by basic ores, a subsidiary of basic refractories of Cleveland which owns 55 per cent of the B.M.I.'s stock, and were turned over to D.M.I. in return for such stock.

"Testimony of Howard Eells, B.M.I. president, was that not over \$25,000 to \$50,000 was spent by his company in proving its claims to these deposits and in some surface explorations.

"Yet B.M.I. is asking the government to pay \$1 a ton royalty and all costs of quarrying for these ores, which, if the plant operated at capacity would produce \$280,000 a year royalties on a total investment of not over \$50,000.

"This proposed lease appears to the sub-committee as one of the most flagrant attempts at war profiteering to come to its notice.

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of

thirty years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it. Instead, the property is to be operated for the Defense Plant Corporation account on a cost-plus-fixed-fee basis.

"The sub-committee can find little or no return to the defense plant corporation to justify any such fee.

"In addition, Basic Magnesium, Inc., is to receive a \$300,000 fee, plus cost for construction and engineering services, although it had little or no construction experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services to be performed by others on a cost-plus-fixed-fee basis.

"Anes usual to any large factory arose continually, they were adjusted amicably and speedily and no major difficulties existed or were expected.

"Employees in nearly all plants were working a forty-eight-hour week, and comments of several executives indicated that the overtime pay for the eight hours over forty was figured as part of weekly earnings and that if it were eliminated, it might be necessary to increase hourly rates to provide approximately the same weekly earnings."

## Condemn Failure to Provide Light Controls

"Evidence gathered by the sub-committee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old O.P.M. section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

On the question of shipbuilding the report had this to say:

"The shipping sub-committee was most favorably impressed with the production job being done in the four shipyards visited on the west coast. Although exact pro-

duction figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing and provides an example of the best tradition in American industry. This comment applies only to the yards visited, as the sub-committee did not have time to visit all yards.

"There is considerable difference in efficiency between yards, and there is reported much room for improvement in some of them.

"Management was worried about possible shortages of steel plate, but production has not as yet been seriously affected and the builders were making every move possible to forestall any such development.

"Labor relations in the plants visited here were excellent. One suggestion was made which the sub-committee believes should be studied seriously by organized labor.

"It was pointed out that the jurisdiction of various craft unions over particular types of work seriously slowed production and increased costs considerably in some phases of the work, particularly fitting of ships after launching.

"The proposal was made that yard employ members of the various crafts in an agreed-upon proportion, but that once employed, there be no rigid restrictions on the type of work the individual employee might do. This is particularly feasible in shipbuilding where all mechanics receive uniform wages.

"The sub-committee believes

labor's organizations should seriously consider all such proposals aimed at reducing production costs because it is only by reducing our costs by more efficient methods until they are in line with those in the rest of the world that we can hope to utilize these tremendous production facilities after this war and keep their thousands of employees working."

Going more directly into the labor aspects of the investigation, the report said:

"In every defense plant visited, the sub-committee discussed labor relations problems with the executives. In view of the present widespread demands for modification of the forty-hour week, the sub-committee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the workweek would increase production.

"This individual said he believed some workmen deliberately delayed completion of specific tasks so as to get overtime pay. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious.

"Management of all other plants reported that although the grievances usual to any large factory arose continually, they were adjusted amicably and speedily and no major difficulties existed or were expected.

"Employees in nearly all plants were working a forty-eight-hour week, and comments of several executives indicated that the overtime pay for the eight hours over forty was figured as part of weekly earnings and that if it were eliminated, it might be necessary to increase hourly rates to provide approximately the same weekly earnings."

## BOSTON NEWS BUREAU

"The only daily financial newspaper published in New England."

Boston, Mass.

APR 3 - 1942

## A Flagrant Attempt At Profiteering Alleged

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000, compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property of it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9% complete" as far as the metal producing units are concerned.

The committee recommended that an offer by Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted.

## WALL STREET JOURNAL

New York City

APR 3 - 1942

# Senate Group Assails War Planning; Urges WPB To Draft Aircraft Executive To Break Bottlenecks

WASHINGTON (AP)—Criticizing the nation's armed forces for a "poor job of over-all planning," the Senate Defense Investigating Committee recommended yesterday that the War Production Board draft a trained aircraft executive to direct a drive to break the bottlenecks which are "holding up peak production" in the war plane program.

Summarizing a subcommittee's visit to the West Coast, the committee reported that plane assembly lines in big plants were not running to capacity because of recurring shortages of some vital parts being produced by subcontractors.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old O.P.M. (Office of Production Management) must be blamed for the present situation," the committee said in its report. "The usual red tape and delays in making contracts also were partly responsible."

The committee recommended that the W.P.A. set up a section charged with over-all planning for aircraft production, headed by a trained production executive drafted from the industry.

"The subcommittee had been told," the report commented, "that the W.P.A. still does not have a single top notch aircraft production man in its organization."

## Urges Breaking of Bottlenecks

The report recommended also that "instead of wasting its energies on a generalized plea for 'all-out production,' which has confused management, labor and public, the W.P.A. concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the subcommittee's certain knowledge and probably in other fields, really holding up peak production."

Reviewing the production of aluminum, the Committee said that evidence gathered by its subcommittee "indicated there is still something seriously wrong in the light metals section of the War Production Board, successor to the old O.P.M. section, which failed so miserably

to anticipate and prepare for the greatly increased demand for these metals."

The committee recommended that the Defense Plants Corp. reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty. "This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

The committee said that its investigation of ship building work had disclosed "truly amazing" progress in erecting yards. It commented also that labor relations in the plants it visited were excellent.

## Employees Working Long Hours

The committee found that employees in most West Coast plants were working 48 hours a week, adding that "comments of several executives indicated that the overtime pay for the 8 hours over 40 was figured as part of weekly earnings and that if it were eliminated, it might be necessary to increase hourly rate to provide approximately the same weekly earnings."

If found only one employer, the committee said, who complained of "slow downs" or who said that modification of the 40-hour week might lead to greater production. It noted this employer's relations with his employees were "not good or harmonious."

Visiting guayule rubber plantings at Salinas, Cal., the committee said it found that there was not now sufficient seed to make possible production in quantities sufficient to alleviate the rubber shortage within three or four years.

Inspecting defense installations on the West Coast, the committee said it felt that "very effective measures have been taken to meet any attack." It said that while there was no technical unity of command, "there is complete unity of information." It added that in case of an attack "there would be as complete coordination of action as is possible without unity of command."

# Committee Scores BMI Lease Plan

## DEFENSE PLANT CONTRACT HIT BY COMMITTEE

### Truman Board Hurls 'Profiteering' Accusation

**BULLETIN**  
Howard P. Eells, president of Basic Magnesium, Inc., in Reno last night refused to comment to the press on charges made by the senate committee probing the war program.

"I have no statement to make," he said. "I could say lots of things, but I'll have no statement tonight and none tomorrow. I'm taking the Streamliner to Cleveland."

WASHINGTON, April 2. (U.P.)—The senate committee investigating the war program charged today in a formal report to the senate that a lease agreement between the Defense Plant Corporation and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev., was "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated at Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a

WASHINGTON, April 2.—(Special)—Senator Berkeley Bunker, D., Nev., who asked for the senate inquiry into the operations of Basic Magnesium, Inc., said last night that proof of other phases of the company's operations will be brought out in the continuation of the hearings scheduled to be held next week in Washington.

Sensor Bunker's statement was as follows:

"The report of the Truman committee on the preliminary hearing held at Las Vegas substantiates my statement as to gross mismanagement and exorbitant war profiteering of Basic Magnesium, Inc. Indisputable proof of other phases of the company's operations will be brought out in the continuation of the hearings scheduled to be held next week in Washington."

year over a possible period of 30 years, although it is not even sufficiently responsible to warrant the leasing of the property to it," the report said.

**9 Per Cent Complete**  
The Defense Plant Corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

In addition to these charges, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although

plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

**To Continue Probe**  
Asserting that its investigation was not completed, the committee expressed the opinion that the government should not have gone more than \$1,000,000 to be paid for architectural and engineering services to be performed by others.

"Should Defense plant Corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas ahead with construction of the magnesium plant at Las Vegas until the Defense Plant Corporation had reached a full agreement on the license terms."

"The subcommittee also ascertained that the English company, the plant of which is being duplicated, is a licensee of I. G. Farben, of Germany, and that it does not have or claim the right to license the operation of the Las Vegas plant," the report said.

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

The report gave details of the licensing terms under which Basic Magnesium proposed to supply magnesite ore to the plant.

"These 600 acres of ore deposits were claimed from the public domain by Basic Ores, a subsidiary of Basic Refractories of Cleveland, which owns 55 per cent of the BMI's stock, and were turned over to BMI in return for such stock," it said.

BMI President Howard Eells testified that his company spent "not over \$25,000 to \$50,000" in proving these deposits and in a few surface explorations, the report said. It added that "virtually no diamond drilling has been done."

The report, signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D., Wash., and by committee chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

2. Light metals—An offer by the Permanente Corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the Doerner process.

3. Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

5. Guayule rubber—"There appears to be no question but that

rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense installations on west coast—The committee "found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

CHICAGO, ILL. TRIBUNE  
CL 963,222. Sunday 1, 134,019.  
APRIL 3, 1942

## RIP 'FLAGRANT' PROFITEERING IN WAR NECESSITY

### Senate Group Flays Magnesium Deal.

BY CHESLY MANLY.  
[Chicago Tribune Press Service.]

Washington, D. C., April 2.—The senate committee created to investigate the war production program asserted in a supplementary report today that



Sen. H. M. Kilgore.

"there still is something wrong in the light metals section of the War Production board," which is charged with providing aluminum, magnesium, and other critical materials for the war effort.

The report said the section succeeded a branch of the old Office of Production Management which "failed so miserably to anticipate and prepare for the greatly increased demand for these metals." The same personnel was retained when the OPM was reorganized as the WPB.

The report was prepared by a subcommittee headed by Sen. H. M. Kilgore (D., W. Va.) and was approved by Sen. Harry S. Truman (D., Mo.), chairman of the full committee.

**Blasts War Profiteering.**  
It discusses in considerable detail a case which it terms "one of the most flagrant attempts at war profiteering" which has come to the committee's attention.

This is a 70 million dollar magnesium plant at Las Vegas, Nev., which involves a group of English and American speculators, who are promoting the project, and the De-

fense Plant corporation, government agency which is financing it.

Evidence thus far received by the subcommittee, according to the report, indicates that the government financing agency is paying "tremendous fees" to Basic Magnesium, Inc.—which has a contract to build and operate the Las Vegas plant, and that "miserable progress" has been made, the metal producing units being only 9 per cent complete although the contract was signed last Aug. 13.

Basic Magnesium, Inc., is owned jointly by Magnesium Elektron, Ltd., which holds 45 per cent of the stock, and Basic Refractories, Inc., of Cleveland, which has the other 55 per cent.

**Uses German Process.**

Magnesium Elektron is an English company that has been making magnesium with a German process under a license from I. G. Farbenindustrie, the huge German chemical trust, since 1936. The English company does not have or claim the right to license the operation of American plants, since American patents controlling the German process are owned jointly by the Aluminum Company of America and German interests.

Nevertheless, the report indicates, the English promoters made a deal with the Cleveland corporation, whereby the British company furnished the so-called "know how" of building and operating the plant, and Basic Refractories furnished the magnesite ore deposits of its subsidiary, Basic Ores, which it proposes to lease to the government. Howard Eells, representing Basic Refractories, became president of B. M. I.

#### 600 Acres in Nevada.

The 600 acres of ore deposits in Nevada were claimed from the public domain. Eells testified that not more than \$25,000 to \$50,000 was spent in developing the claims, yet the government is asked to pay \$1 a ton royalty and all costs of quarrying. If the plant operated at cost this would produce \$280,000 a year royalties on an investment of \$50,000 at the highest estimate.

For operating the plant B. M. I. is to receive a fee of 2 per cent of the sales value, which would amount to at least \$560,000 on an estimated minimum yearly output of 112 million pounds.

In addition, B. M. I. is to receive a \$300,000 fixed fee plus cost for constructing the plant and for engineering services, altho, the report states, "it had had little experience in the past, and altho more than a million dollars is to be paid in fees for construction, engineering, and architectural services to be performed by others on a cost plus fixed fee basis."

**Invites "Incompetency."**

The contract provides that if the Defense Plant corporation should cancel it for poor performance or for any other reason, it would have to pay B. M. I. a million dollars and also double the royalties on the proposed ore lease, which would be \$2 a ton or \$560,000 a year. According to the report, the terms "put a premium on mismanagement and incompetency."

Included in the report was a section on aircraft production, previously released on the west coast, which blames the armed services and the old OPM for a "poor job of over-all planning from aluminum ingots to finished aircraft." Notwithstanding the failure of the parts program to keep abreast of the big assembly plants on the west coast, the report states, their production of planes is several times larger than a year ago and is increasing each month.

The subcommittee was "most favorably impressed" with the production job being done in four shipyards visited on the west coast and found that labor relations were "excellent."

MIRROR  
New York, N. Y.  
APR 3 1942

## —LATE BULLETINS—

### Claim Magnesium Firm May Get 30-Million on \$50,000

WASHINGTON, April 2 (AP).—The Senate Defense Investigating Committee today cited as "one of the most flagrant attempts at war profiteering" the case of a magnesium firm which allegedly will make nearly \$1,000,000 a year for possibly 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a plant for the Government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It declared the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of

\$280,000, and "is also to receive a fee for operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

NEW YORK, N. Y., HERALD-TRIBUNE  
CL 346,783  
APRIL 3, 1942

## Senators Reveal Poor Planning Of Plane Output

### Committee Bids Nelson Put Proved Man at Head of W. P. B. Aviation Branch

By Nicholas P. Gregory

WASHINGTON, April 2.—Although painting an encouraging picture of airplane production on the West Coast, the Senate committee investigating war activities charged today that the huge bomber plants located there cannot operate at full capacity because of a "poor job of over-all planning," red tape and delays in making contracts by the Army, the Navy and the War Production Office of Production Management.

To overcome assembly bottlenecks resulting from a shortage of vital airplane parts made by subcontractors, the committee recommended to Donald M. Nelson, chairman of the War Production Board, that he appoint a top-notch aviation executive to head the W. P. B. aviation branch.

Mr. Nelson, who has been dissatisfied with the work of the W. P. B. aviation branch, was reported tonight to have urgently requested K. T. Keller, president of the Chrysler Corporation, to accept the aviation post. Mr. Keller, in his annual report to Chrysler stockholders, revealed that the huge corporation has made tremendous progress in production at its truck

**Shipbuilding Accelerated**  
A month ago Mr. Nelson asked Mr. Keller to come to Washington, but it is reported Mr. Keller turned down the offer, stating he was not well. However, negotiations between Mr. Nelson and Mr. Keller have continued.

The Senate committee urged Mr. Nelson also to abandon the "generalized plea" for all-out production, which, it asserted, "has confused management, labor and the public," and suggested that the W. P. B. concentrate its efforts on breaking existing bottlenecks, in the aviation and other fields, so that the country can attain peak production.

The report was prepared by a subcommittee, headed by Senator Mon C. Wallgren, Democrat, of Washington, which investigated also magnesium and aluminum, shipbuilding, guayule rubber, labor and defense installations on the West Coast.

It found that shipbuilding in West Coast shipyards has made tremendous strides, but that jurisdictional strife between unions "seriously slowed production and increased costs considerably in some phases of the work, particularly fitting of ships after launching." In addition to labor troubles, possible shortages in materials may hold up output, it said, but shipyard owners "were making every move possible to forestall any development."

#### Defense Preparations Praised

As to defense installations on the West Coast, the committee concluded, after visits in San Francisco and San Diego naval districts, "that although technically there is not unity of command, there is complete unity of information, and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command."

The subcommittee's explorations in magnesium revealed that the Defense Plant Corporation is building a large magnesium plant at Las Vegas, Nev., which will produce magnesium licensed to England by I. G. Farben, the German dye trust. The Las Vegas plant will be operated by Basic Magnesium, Inc.

The report said that two other methods, the Doerner and Hansgrig, are cheaper, and the committee recommended that the plant should be "built around the most economical process available, to the end that they may compete commercially after this war."

Although it has not completed its investigation into Basic Magnesium, Inc., the committee said the Defense Plant Corporation is paying "tremendous fees for 'know how' which so far has delivered miserable progress." The contract for the plant was let on Aug. 13, 1941, but only 9 per cent of the work has been completed.

Recommending that the Defense Plant Corporation refuse to accept

the contract for royalties, the report says that 600 acres of ore deposits were claimed from the public domain by Basic Ores, a subsidiary of Basic Refractories, of Cleveland, which owns 55 per cent of B. M. stock.

Howard B. Eells, president of B. M., has testified that between \$25,000 and \$50,000 was spent by his company to claim the ore deposits, yet the government will pay a royalty fee of \$1 a ton and all costs of quarrying. The committee estimates that if the plant is operated at capacity, B. M. will receive about \$280,000 a year in royalties.

"This proposed lease," the report says, "appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice."

Some of the blame for the shortage in light metals, seriously needed for aircraft production, is also laid at the door of the W. P. B. light metals section.

The committee disagreed with President Roosevelt, who recently vetoed a proposal to finance large-scale experiments in guayule plant cultivation for making rubber. It said that rubber could be produced on a commercially sound basis from Guayule, but concluded that it would take from three to four years "to alleviate markedly our rubber shortage."

## Incompetence Hit In High Places

### Profiteering in Magnesium Charged

WASHINGTON — (U.P.) — The senate committee investigating the war program charged today 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 Westcoast airplane plants to operate at full capacity.

The group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production board has not a "single top notch aircraft production man" in its organization. It called for a special W. P. B. airplane section headed by a "trained aircraft production executive" drafted from industry.

#### War Profiteering

Of a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev., the report described it as "one of the most flagrant attempts at war profiteering to come to the committee's notice."

The plant will be operated by

Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

#### More and More Rakeoff

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine percent complete" as far as the metal-producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

The committee said Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

#### Premium on Incompetency

"Should Defense Plant Corp., because of poor performance or any other reason, cancel B. M. I.'s contract to operate the Las Vegas plant, it would under that contract have to pay B. M. I. \$1,000,000," the report said. "In addition, B. M. I.'s royalties under the lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

#### Signed by Democrats

The report, signed by members of the sub-committee headed by Sen. Mons C. Wallgren, D., Wash., and by Committee Chairman Harry S. Truman, D., Mo., contained the following conclusions and recommendations:

1. Aviation—Lack of full production can be traced to failure to co-ordinate the various plants and sub-contractors who supply the assembly plants with their materials.

2. Light Metals—An offer by the Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process.

3. Shipbuilding—"The rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

#### Labor Situation

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the sub-committee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production."

5. Guayule Rubber—"There is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6. Defense Installations on the Westcoast—"The committee 'found that although technically there is not unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared that very effective measures have been taken to meet any possible attack.'"

## Committee Shifts Blame

Government officials were told today that they are barking up the wrong tree by attacking labor and management for any lag in airplane output. A senate committee investigating the war program says the fault lies closer home—with the armed services and government officials themselves.

The committee charges that the joker is the government's failure to coordinate aircraft plants and subcontractors who supply materials. It explained that this caused shortages, which in turn slowed down production. Then, the report says, workers grumble because they think the slow-down is deliberate, and the public becomes uneasy.

But the committee had a good word for the shipbuilding industry. It called ship production "truly amazing" and "an example of the best tradition in American industry."

The committee also criticized the Basic Magnesium Company which, it says, is getting "tremendous fees" for building and operating a metal producing factory.

## 2 to 10 p. c. Profits Limit Studied by Senate Group

Special to The Post

Washington, Apr. 4.—The Senate Appropriations Committee had before it today a plan for limiting war contract profits to from 2 per cent (on any payment in excess of \$50,000,000) to 10 per cent (for contracts of \$100,000 or less.)

Sen. Thomas (D-Okla.), who proposed the sliding scale as a substitute for the House-approved flat 6 per cent limitation, said there was considerable support for his plan. He was assisted in drawing it by Sens. O'Mahoney (D-Wyo.) and Overton (D-La.).

Meanwhile, a \$50,000 company called Basic Magnesium, Inc., which is helping to construct a \$63,000,000 magnesium plant at Las Vegas, Nev., which it will operate, was charged with dragging down the healthiest profits so far revealed.

#### 4,280% Profit Charged

Sen. Bunker (D-Nev.) declared that the firm stands to make a profit of 4,280 per cent on its operation. He flatly called Basic Magnesium "a racketeering industrial corporation."

The take for one year, said Bunker, will be \$2,140,000. He charged that Howard Eells, president of the firm, was paying 10 executives from \$10,000 to \$36,000 a year.

Thomas' sliding-scale plan, which was being drawn today as a rider to the \$18,300,000,000 supplemental war appropriations bill, which has passed the House, would:

Apply to all Army, Navy and Maritime Commission contracts;

#### Withholds Part of Price

Withhold 20 p. c. of the contract price until a certified statement of costs had been submitted by the contractor and showed no excess profits;

Provide for renegotiation of contracts to compensate for either excess profits or losses to the contractor;

Eliminate such inflated salaries as the \$39,000 paid to a woman secretary of the Jack & Heinz Co., or any excessive reserves.

but 30 days of the sentence was suspended.

## Senators to Probe 'Profiteering' Loan From Govt. to Firm

WASHINGTON (INS) — The special senate defense committee announced Friday an investigation will be made into a Nevada mining company, and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant corporation to Basic Magnesium, Inc., for the production of magnesium needed in the defense effort, without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium the government is obligated to make these payments to the firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled.

2. \$560,000 a year over a period of 30 years for operation of the plant.

3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience.

4. \$1,000,000 if the contract is dissolved by the government.

## Magnesium Firm Makes a Million Yearly From War

Original Investment  
\$50,000; Contract  
Runs for 30 Years

[The United Press]

WASHINGTON — The Senate War Program Investigating Committee yesterday cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

## States Poor Plans Delay Production

Washington, D. C.—(AP)—The senate defense investigating committee blaming the situation on poor planning, reported Thursday that war-plane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the senate, the committee said a subcommittee which recently visited the west coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (office of production management) must be blamed for the situation," the committee said.

"The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the war production board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Discussing the production of aluminum and magnesium, the committee recommended that the defense plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits.

It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

#### LABOR NEWS

BELLINGHAM WASH.  
3/4/42

## WALLGREN CALLS HEARING MARCH 14, TO DETERMINE WHY MINERAL DEVELOPMENT ON COAST DELAYED

Bellingham trade unionists concerned for any industrial development promising future growth will be interested to know that western magnesium hearings by the light-metals subcommittee of the Truman national defense investigating committee will be held in Spokane, and a tentative date of March 14 has been set by Senator Mon C. Wallgren, subcommittee chairman.

"The committee desires to learn why production from western magnesium ores has been delayed," Senator Wallgren said. "The vital war need for this lighter-than-aluminum metal makes it necessary that everything possible be done to speed production. This is especially important to Washington state, which has so much high-grade ore and because the light metals will be of tremendous importance after the war."

#### Saw Shortage

The Truman investigating committee was the first agency to "spotlight" the approaching aluminum shortage last year. The wisdom of the committee's action in insisting that prompt steps be taken to enlarge aluminum ingot capacity is now generally recognized. Wallgren has been a member of the investigating committee since its start, but was just recently named its light-metals chairman.

"A number of magnesium reduction processes are being tried," the senator said, "but I believe special consideration should be given to the oil process developed at Washington State College. Preliminary information indicates that this process can produce magnesium at a reduced cost per pound. The oil cooling method of the Washington State method is said to reduce danger from explosion. A full discussion of these and many other points will help the federal government reach a logical conclusion as to the best method for both the present and the future."

## Plan Profits Probe Of Magnesium Firm

By COLE E. MORGAN,

Special to the New York Journal-American.

WASHINGTON, April 4.—Thorough investigation of the \$63,000,000 Government loan to Basic Magnesium, Inc., a Cleveland, O., corporation, to build a huge magnesium production plant at Las Vegas, Nev., for defense production was in prospect today.

Investigation of the contract entered into with the concern for operation of the plant also was promised, as it was disclosed in the Senate that the company stands to realize 4,280 per cent on its \$50,000 investment.

#### \$2,140,000 A YEAR.

Chairman Harry S. Truman, of Missouri, of the special Senate committee investigating national defense production, announced the full committee would go thoroughly into the revelations made public by a subcommittee.

They will probe the loose manner in which this magnesium deal was arranged to give Basic Magnesium, Inc., a profit of \$2,140,000 a year at the expense of the American taxpayers.

## "No Statement to Make" Says Basic Magnesium Head

Thorough Inquiry Into Company Dealings  
With Government to Be Made, Says Eells

Howard P. Eells, jr., president of Basic Magnesium Inc., whose company was the subject yesterday of a critical senate subcommittee report, had "no statement to make" on the story released from Washington by the Associated Press.

"I'll let the people I'm working for do the talking," the head of the \$63,000,000 magnesium metal plant now being constructed near Las Vegas said as he prepared to board a train for Cleveland, Ohio, last night.

Eells intimated that a complete and thorough investigation of his company's dealings with the federal government would be made and that until such time as all testimony had been taken, there was nothing to talk about.

The Cleveland industrialist, who for the past six years has been engaged in sponsoring the commercial development of magnesium ores near Luning and who has carried out an extensive exploratory program with magnesite deposits in northwestern Nye county, expressed complete satisfaction with the progress which has been made both at Las Vegas and at Gabbs, northeast of Luning, where a magnesite concentration plant is nearing completion.

"We expect to be in limited production by June 15," he said. The first units of the concentrating plant will be in readiness by that

time and the initial unit of the refining plant at Las Vegas will be ready to handle magnesium oxide and carbonate to be shipped from the primary plant at Gabbs."

Eells stated that the contract for trucking the concentrated ore from the primary plant to the railroad at Luning had been negotiated with Wells, Incorporated, Reno Trucking contractors, and had been forwarded for approval.

He reported that water from Lake Meade was turned into the company's reservoirs at the Las Vegas plant last Tuesday, coming in by way of a pipe line and booster pumping station over a distance in excess of ten miles.

"We will be getting electrical power within a few weeks from southern California sources by way of Bishop, Calif. The power line extension from Miller's west of Tonopah is nearing completion. Diamond drilling has proved large tonnages of high grade ore and the open pit mine is expected to be in operation during April, from which a substantial tonnage of magnesium oxide will be produced during June.

"The capacity of the electrolytic plant at Las Vegas will be rapidly increased as additional units are added and we hope to attain an ultimate production goal of 56,000 tons of pure magnesium metal a year when the entire ten units to be constructed are in operation."

## FLAGRANT PROFITEERING BY MAGNESIUM PLANT CHARGED BY WAR INVESTIGATORS

WASHINGTON, April 2. —(U) The senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if Defense Plant Corporation should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay BMI \$1,000,000." Additionally, BMI's royalties under the pro-

posed ore lease "would be doubled to two dollars a ton or \$560,000 a year."

The committee recommended that Defense Plant Corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

—It's in The Record—

## Truman Group Army, Navy Blamed for Plane Lag

By the United Press

WASHINGTON, April 2—

The Senate Committee investigating the war program charged today 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.

In a formal report to the Senate, based upon the recent study of a special subcommittee, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single topnotch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corporation and Basic Magnesium, Inc., for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

(Chairman Donald M. Nelson of the War Production Board has submitted to a Senate Appropriations Subcommittee a proposal to curb industrial profits on war contracts, it was learned today. The Nelson plan, formulated after conferences with army and navy procurement chiefs, would grant profit limitation control to the Secretaries of War and Navy and the chairman of the Maritime Commission. It appeared likely that the committee would draft a substitute to a House provision placing a flat 6 per cent profit limitation on contracts).

The Basic Magnesium Company, the report said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000, compared to a total investment "of not over \$50,000." It added that nearby quarries were being leased for 25-cents a ton royalty.

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

In addition to these charges, the committee said, Basic Magnesium is to receive a \$300,000 construction fee, plus funds for the actual building of the plant, "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton, or \$560,000 a year. The terms seem to put a premium on mismanagement and incompetency."

### PRODUCTION LAG DUE TO LACK OF PLANNING

The report, signed by members of the subcommittee headed by Senator Mons C. Wallgren (D., Wash.), and by committee chairman Harry S. Truman (D., Mo.), contained the following conclusions and recommendations:

1—Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course."

2—Light Metals—An offer by the Permanente Corporation, Permanente, Cal., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the Doerner process.

3—Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

4—Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates."

5—Guayule Rubber—"There appears to be no question that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6—Defense Installations on West Coast—"The committee 'found that although technically there is no unity of command, there is complete unity of information and that, in case of an attack, there would be as complete co-ordination of action as is possible without unity of command. It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

## Profiteering on Magnesium Hit By Senate Group

Charge Deal Results in  
Profits of \$1,000,000  
Annually for 30 Years

By GEORGE E. REEDY, JR.  
United Press Staff Correspondent

WASHINGTON, April 2 (U.P.)—The Senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the Government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

### Recommends Acceptance

[The committee recommended acceptance of an offer by the Permanente (California) Corporation to produce magnesium at "out of pocket" cost plus depreciation. It said a production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process but two units

should be completed—one using this process and the other the Doerner process.]

### Small Investment

It said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

### "Premium on Mismanagement"

The committee said that, under terms of the contract, if Defense Plant Corporation should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay BMI \$1,000,000." Additionally, BMI's royalties under the proposed ore lease "would be doubled to \$2 a ton, or \$560,000 a year."

The committee recommended that Defense Plant Corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

### Failure to Coordinate

Its report was based on the study of a subcommittee which also said that:

1. A lack of "over-all" planning by the now defunct Office of Production Management and the armed services is responsible for the failure of West Coast airplane plants to operate at full capacity. The report absolved labor and management of blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply assembly plants.

The committee, asserting the War Production Board has not a "single top notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

### Suggestions From Executives

2. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. . . . It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

### Amazing Progress

3. Shipbuilding—"The report said that although exact production figures cannot be published, the rate at which ships are being built 'in huge yards which were mud flats only a year ago is truly amazing. . . .'

It said shipbuilding labor should consider "all proposals aimed at reducing costs."

### Can Be Produced

4. Guayule Rubber—"There appears to be no question that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

### West Coast Defense—The com-

mittee said it found that "although technically there is not unity of command, there would be as complete coordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

# NEVADA FIRM ATTACKED BY LEGISLATORS

Basic Magnesium Charged With  
Making 'Flagrant Attempt  
At War Profiteering'

## SENATE INQUIRY FINISHED

Company Would Make Close to  
\$1,000,000 Each Year on  
\$50,000 Investment

(By United Press)  
WASHINGTON, April 2.—The senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

### Contract Details Bared in Report

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction, "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if Defense Plant Corp. should cancel B.M.I.'s contract "because of poor performance or any other reason . . . it will have to pay B.M.I. \$1,000,000." Additionally, B.M.I.'s royalties under the proposed ore lease "would be doubled to \$2 a ton, or \$560,000 a year."

The committee recommended that Defense Plant Corp. refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

### Aircraft Unions, Management Cleared

Its report was based on the study of a subcommittee which also said that:

1. A lack of "over-all" planning by the now defunct office of production management and the armed services is responsible for the failure of west coast airplane plants to operate at full capacity. The report absolved labor and management of blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to coordinate the various

plants and subcontractors who supply assembly plants.

The committee, asserting the war production board has not a "single top-notch aircraft production man" in its organization, recommended the W.P.B. set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

### LABOR SITUATION

2. Labor: "In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production . . . It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

3. Shipbuilding: The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards which were mud flats only a year ago is truly amazing . . ."

It said shipbuilding labor should consider "all proposals aimed at reducing costs."

4. Guayule rubber: "There appears to be no question but that rubber can be produced on a commercially sound basis from guayule."

However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

### STUDY DEFENSE

5. West coast defense: The committee said it found that "although technically there is not unity of command, there would be as complete coordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

6. Light metals: It recommended acceptance of an offer by the Permanente (California) Corp. to produce magnesium at "out of pocket" cost-plus depreciation.

# Light Metals Scandal Charged by Truman

Senate Probers Accuse WPB Unit;  
Find Magnesium Profiteering Plot

By CHESLY MANLY

The special Senate committee created to investigate the war production program asserted in a supplementary report yesterday that "There is still something seriously wrong

in the light metals section of the War Production Board," which is charged with providing aluminum, magnesium, and other critical materials for the war effort.

The report points out that the light metals section is the successor of the light metals section of the old Office of Production Management, which, it charges, "failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

### "Flagrant Profiteering"

The same old personnel was retained when the OPM was reorganized as the WPB under Donald M. Nelson.

Yesterday's special report, prepared by a subcommittee headed by Senator H. M. Kilgore (D.), of West Virginia, and approved by Senator Harry S. Truman (D.), of Missouri, chairman of the full committee, discusses in detail a case involving what it terms "one

of the most flagrant attempts at war profiteering" which has come to the committee's notice.

This is a \$70,000,000 magnesium plant at Las Vegas, Nev., which involves a group of English and American speculators, who are promoting the project, and the Defense Plants Corporation, headed by Federal Loan Administrator Jesse H. Jones, which is financing it.

### "Miserable Progress"

Evidence thus far received by the subcommittee, according to the report, indicates that the DPC is paying "tremendous fees" to Basic Magnesium, Inc., which has a contract to build and operate the Las Vegas plant, and that "miserable progress" has been made, the metal-producing units being only 9 per cent complete

though the contract was signed August 13, 1941.

Basic Magnesium, Inc., or B.M.I., is owned jointly by Magnesium Elektron, Ltd., or E.L., which has 45 per cent of the stock, and Basic Refractories, Inc., of Cleveland, Ohio, which has the other 55 per cent.

M.E.L. is an English company which has been making magnesium with a German process, under a license from I. G. Farbenindustrie, since 1936. The English company does not have or claim the right to license the operation of American plants, since American patents controlling the German process are owned jointly by the Aluminum Company of America and German interests.

### Land From Public Domain

Nevertheless, the report indicates, the English promoters made a deal with the Cleveland corporation, whereby M.E.L. furnished the so-called "know-how" of building and operating the plant and Basic Refractories furnished the magnesite ore deposits of its subsidiary, Basic Ores, which it proposes to lease to the Government. Howard Eells, representing Basic Refractories, became president of B.M.I., and a Major Ball, representing the English concern, became vice president.

The 600 acres of ore deposits in Nevada were claimed from the public domain. Eells testified that not more than \$25,000 to \$50,000 was spent in developing the claims, yet the Government is asked to pay \$1 a ton royalty and all costs of quarrying. If the plant operated at cost this would produce 280,000 a year royalties on an investment of \$50,000 at the highest estimate.

For operating the plant B.M.I.

is to receive a fee of 2 per cent of the sales value, which would amount to at least \$560,000 on an estimated minimum yearly output of 112,000,000 pounds.

In addition, B.M.I. is to receive a \$300,000 fixed fee plus cost for constructing the plant and engineering services, although, the report states, "it had had little experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering, and architectural services to be performed by others on a cost plus fixed fee basis."

The contract provides that if the D.P.C. should cancel it for poor performance or for any other reason, it would have to pay B.M.I. \$1,000,000 and also double the royalties on the proposed ore lease, which would be \$2 a ton or \$560,000 a year. According to the report, the terms "put a premium on mismanagement and incompetency."

The evidence indicates, according to the report, that the Hansgirg and Doerner processes of making magnesium are "simpler and more economical, both as to materials and labor," than the B.M.I. process.

# Gigantic profit by magnesium company told

WASHINGTON, April 2.—(U.P.)—The senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not more than \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not more than \$50,000."

The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if defense plant corporation should cancel B.M.I.'s contract "because of poor performance or any other reason it will have to pay B.M.I. \$1,000,000."

Additionally, B.M.I.'s royalties under the proposed ore lease "would be doubled to \$2 a ton or \$560,000 a year."

The committee recommended that defense plant corporation refuse the royalty terms, and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said:

1.—A lack of "overall" planning by the now defunct office of production management and the armed services is responsible for the failure of west coast airplane plants to operate at full capacity. The report absolved labor and management of blame.

It said reports that workers are staging "slowdowns" in aviation plants seem to have little basis.

Actually, it said, lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply assembly plants.

The committee, asserting the war production board has not a "single topnotch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

2.—Light metals—An offer by the Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the Doerner process.

3.—Shipbuilding — "Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said shipbuilding labor should consider all proposals aimed at reducing costs.

4.—Labor—"In view of the present widespread demands for modification of the 40 hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production."

"It is perhaps significant that this suggestion came from an executive in the one plant visited where

relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

5.—Guayule Rubber—"There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not now sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

6.—Defense Installations on West Coast.—The committee "found that although technically there is no unity of command, there is complete unity of information and that, in case of an attack, there would be as complete coordination of action as is possible without unity of command."

"It appeared to the subcommittee that very effective measures have been taken to meet any possible attack."

# Plane Production Lag Is Laid to Government

Washington, April 2.—(U.P.)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

### Red Tape Also Hit

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

### 40-Hour Week Liked

Employees in most West coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N.M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

# Senate Quiz Bares Plane, Ship Delays; Hits 'Poor Planning'

## Truman Report Raps Unions' Jurisdictional Restrictions

By Cole E. Morgan  
(Special to the Los Angeles Examiner)

WASHINGTON, April 2.—Charges that the national defense effort is being slowed down by jurisdictional labor disputes, Government red tape and poor planning were made today in the Senate in a report of the special investigating committee headed by Senator Truman (Democrat), Missouri.

The report noted that ship and aircraft production, all-important in the war program, were not being pushed at maximum speed.

The committee revealed that airplane assembly lines could not be operated at full capacity because of "a poor job of over-all planning."

### REVIEWS DELAYS

The report, dealing specifically with six aspects of the defense production, reviewed the handicaps and delays in production of magnesium and aluminum, aircraft building, shipbuilding, guayule

rubber growing, labor and defense installations.

It was prepared on the basis of first hand information gathered on visits to and investigations of progress, or lack of progress, at defense industries largely on the Pacific Coast and on testimony taken at public hearings in West Coast industrial centers, by members of the committee between March 9 and 25.

The committee was frank in its criticisms of the several causes of delay. At the same time it bestowed praise where the performance records revealed accelerated activity.

Taking up aircraft production, the report said in part:

"The subcommittee repeatedly heard rumors and reports of 'slow downs' in West Coast aircraft plants, sometimes blamed on management and sometimes on labor. It investigated these reports exhaustively, as well as the general aircraft production program, and found these facts:

"Aircraft production in West Coast plants now is several times greater than it was a year ago, and is increasing every month.

"The big aircraft factories are primarily assembly plants, doing only a small part of their own manufacturing, and depending on anywhere from 1000 to 4000 suppliers of parts and sub-assemblies to keep their main assembly lines going.

### "No Attention Paid to Subcontractors"

"When the big expansion of aircraft plants was undertaken a year or more ago, no attention was paid to the necessity of expanding at the same time the facilities of the thousands of sub-contractors who supply parts and sub-assemblies. As a result, in some vital airplane parts, production is not up to the capacity of the big assembly plants to absorb them.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity. Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days, with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production, which was their wisest course.

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness. Actually, every effort is being made to break these bottlenecks and the subcommittee is hopeful that assembly lines will soon be able to operate at peak capacity.

### WPB Lacks Expert in Plane Production

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the present situation. The usual red tape and delays in making contracts also were partly responsible. The subcommittee recommended:

"A. That the WPB set up a section charged with over-all planning for aircraft production, such section to be headed by a trained aircraft production executive drafted from the industry. The subcommittee has been told that the WPB still does not have a single top-notch aircraft production man in its organization.

"B. That instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor, and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the subcommittee's certain knowledge and probably in other fields, really holding up peak production."

### Four West Coast Shipyards Visited

On the question of shipbuilding the report had this to say:

"The shipping subcommittee was most favorably impressed with the production job being done in the four shipyards visited on the West Coast. Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing and provides an example of the best tradition in American industry. This comment applies only to the

yards visited, as the subcommittee did not have time to visit all yards.

"There is considerable difference in efficiency between yards, and there is reported much room for improvement in some of them.

"Management was worried about possible shortages of steel plate, but production has not as yet been seriously affected and the builders were making every move possible to forestall any such development.

### Union Jurisdiction Restrictions Hit

"Labor relations in the plants visited were excellent. One suggestion was made which the subcommittee believes should be studied seriously by organized labor. It was pointed out that the jurisdictions of various craft union over particular types of work seriously slowed production and increased costs considerably in some phases of the work, particularly fitting of ships after launching. The proposal was made that yard employ members of the various crafts in an agreed upon proportion, but that once employed there be no rigid restrictions on the type of work the individual employee might do. This is particularly feasible in shipbuilding where all mechanics receive uniform wages.

"The subcommittee believes labor's organizations should seriously consider all such proposals aimed at reducing production costs because it is only by reducing our costs by more efficient methods until they are in line with those in the rest of the world that we can hope to utilize these tremendous production facilities after this war and keep their thousands of employees working."

### 40-Hour Week, Overtime Probed

Going more directly into the labor aspects of the investigation the report said:

"In every defense plant visited, the subcommittee discussed labor relations problems with the executives. In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production.

"This individual said he believed some workmen deliberately delayed completion of specific tasks so as to get overtime pay. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious.

"Management of all other plants reported that although the grievances usual to any large factory arose continually, they were adjusted amicably and speedily and no major difficulties existed or were expected.

"Employees in nearly all plants were working a 48-hour week, and comments of several executives indicated that the overtime pay for the eight hours over 40 was figured as part of weekly earnings and that if it were eliminated it might be necessary to increase hourly rates to provide approximately the same weekly earnings."

### 6 Large Aircraft Plants Inspected

Two subcommittees composed of Senators Wallgren of Washington, Kilgore of West Virginia and Ball of Minnesota, one headed by Wallgren dealing with light metals and aircraft, and the other, headed by Kilgore, dealing with shipping, held hearings in Spokane, Wash., San Francisco and Salinas, Calif., and Las Vegas, Nev., and executive conferences in Seattle, Los Angeles and San Diego.

Six large aircraft plants were looked over and conferences held with their executives. Army and Navy installations in Washington and California were inspected and four West Coast shipyards were visited, meetings held with their managements.

In addition the committee members inspected the guayule rubber development at Salinas, where a hearing was held, and the Permanente Metals Magnesium plant at Permanente, Calif. Senator Downey of California joined them at San Francisco, Salinas and Los Angeles and Senator Bunker of Nevada at Las Vegas. Hugh A. Fulton, chief counsel for the committee, accompanied them as legal adviser.

On the magnesium and aluminum phase of the investigation, the committee report said in part:

"The subcommittee explored in considerable detail the various processes for producing

magnesium from magnesite or dolomite ore proposed to be used in the various plants contracted for or building on the West Coast, including the so-called Doerner process developed by Dr. Doerner and used in a pilot plant at Pullman University, Washington.

"The so-called Hansgirg process used at Permanente, the Doerner process in the pilot plant stage at Pullman, and the ferrosilicon process proposed for the 48,000,000-pound plant the Government is building for operation by Reynolds Metals at Spokane are all similar in that they are thermal processes.

"In view of the urgent need for magnesium and the fact Permanente has proven its ability to produce the metal, though at a cost making commercial operation impossible immediately, it has proposed to the Government that it contract to buy all magnesium metal produced at Permanente at the out-of-pocket cost, plus reasonable depreciation, but with no profit, and on the basis of such an agreement, subject to cancellation on 48 hours' notice.

"Permanent officials told the subcommittee they would immediately proceed to complete all units of the plant and get them into operation using the process as proven to produce magnesium, meanwhile continuing their work on improvements in the process to lower costs.

### Recommendations Made on Production

"The subcommittee recommends:

"A. That the Government accept the Permanente proposal and is confident that it will result in immediate production in large quantities of this metal so urgently needed for the war effort.

"B. That instead of building the entire plant at Spokane around the ferrosilicon process, the Government rush to completion two units, one using the ferrosilicon and the other the Doerner process, and then complete other units of the plant to use which ever process proves the most economical and efficient on a commercial scale.

"The subcommittee has not completed its investigation of the B. M. I. (Basic Magnesium, Inc.) plant at Las Vegas, further hearings being planned in Washington, and is not ready to submit final recommendations. The facts disclosed at Las Vegas created the impression that D. P. C. (Defense Plant Corporation) is paying tremendous fees for 'know how' which so far has deliv-

ered miserable progress, the metal producing units being only 9 per cent complete although the contract was signed August 13, 1941.

"The subcommittee is prepared now to urge most strongly that D. P. C. refuse to accept any such exorbitant royalty terms as proposed by B. M. I. and those associated with it, for the magnesite ore deposits which it proposes to lease to the Government for operation of this plant. These 600 acres of ore deposits were claimed from the public domain by Basic Ores, a subsidiary of Basic Refractories of Cleveland which owns 55 per cent of the B. M. I.'s stock, and were turned over to B. M. I. in return for such stock.

### Royalties, Fees Draw Criticism

"Testimony of Howard Eells, B. M. I. president, was that not over \$25,000 to \$50,000 was spent by his company in proving its claims to these deposits and in some surface explorations. Yet B. M. I. is asking the Government to pay \$1 a ton royalty and all costs of quarrying for these ores, which, if the plant operated at capacity would produce \$280,000 a year royalties on a total investment of not over \$50,000.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice.

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum operation will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it. Instead, the property is to be operated for the Defense Plant Corporation account on a cost-plus-fixed-fee basis.

"The subcommittee can find little or no return to the Defense Plant Corporation to justify any such fee.

"In addition, Basic Magnesium, Inc., is to receive a \$300,000 fee plus cost for construction and engineering services, although it had had little or no construction experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services to be performed by others on a cost-plus-fixed-fee basis.

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

# Airplane Lag Laid to Poor Planning

Senate Committee Blames O.P.M. in Report  
Urging Appointment of Industry Director

BY WARREN B. FRANCIS  
Times Staff Correspondent

WASHINGTON, April 2.—Shortsightedness of War Production Board, Army and Navy officials was blamed today by the Senate national defense investigating committee for the inadequate supply of critical minerals and slow production of the American aircraft industry.

In a report containing sizzling criticism of promoters of the huge magnesium plant being erected at Las Vegas, the Senate group demanded further changes in the W.P.B. light metals section, appointment of an aircraft industry executive to direct the aircraft procurement program, and clearing of bottlenecks which have prevented airplane plants from running at full capacity.

## COMMITTEE SUMMARY

The subcommittee headed by Senator Wallgren (D., Wash.), which spent most of the past month on the Pacific Coast, made public a summary of its findings which praised California and Oregon shipbuilders, cleared both labor and management in the airplane industry of "slowdown" charges, urged exploitation of guayule rubber cultivation, and voiced reassurance about the readiness of Pacific Coast defenses.

The committee, displaying concern about labor conditions, entered an implied objection to extending the 40-hour work week in asserting that "no major difficulties existed or were expected" between management and workers in West Coast defense industries. With one exception, industrial executives doubted if a longer basic work week will boost production, the group reported.

## BLAME PLACED

Repeated rumors that Pacific Coast aircraft plants are not turning out all the warplanes of which they are capable, because of the attitude of either management or labor, are without foundation, the report said.

Elaborating on the statement made two weeks ago in Los Angeles, the Senate investigators acknowledged that "shortages in critical items have made it impossible to operate assembly lines at full capacity." Responsibility for this condition was placed on Federal authorities, rather than any element in the industry.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old O.P.M. must be blamed for the present situation," the report said.

## RED TAPE CITED

"The usual red tape and delays in making contracts also were partly responsible."

The committee made two strong recommendations about speeding aircraft output, which was said to be "several times greater than it was a year ago" and rising monthly.

A special W.P.B. section "charged with over-all planning" and headed by an individual "drafted from the industry" should be set up to direct the aircraft procurement program, the report said, and the W.P.B. "instead of wasting its energies on a general plea for all-out production which has confused management, labor and the public," should clear the bottlenecks which are "really holding up peak production."

Magnesium and aluminum

plants on the West Coast were complimented generally by the group, although no reference was made to the controversy about location of an aluminum rolling mill originally planned for Los Angeles and later shifted to a distant location.

The report urged the government to accept the offer of Permanente Metals, a project of Henry J. Kaiser, to sell magnesium on a no-profit basis and "rush to completion" plants using two different processes for making vital light metals. Construction of a 48,000,000-pound magnesium plant at Spokane should be sidetracked, the report said, until the efficiency and cost of the techniques are tested.

## STRONG LANGUAGE

Strong language was used in condemning the magnesium project at Las Vegas. The committee protested "tremendous fees" paid by the Federally-owned Defense Plant Corporation to learn the "know how," said only "miserable progress" has been achieved, denounced "exorbitant royalty terms in an ore lease, and remarked that the contract with Basic Magnesium, Inc., puts "a premium on mismanagement and incompetency."

With the comment that "there is still something seriously wrong," the investigators complained the W.P.B.'s light metal sections has not remedied faults of the O.P.M., "which failed so miserably" to boost the output of strategic minerals. The criticism applied to both aluminum and magnesium production.

## 'WAR PROFITEERING'

The deal between the Defense Plant Corp. and Basic Magnesium, Inc., was termed "one of the most flagrant attempts at war profiteering" observed by the committee.

Observing the company is not regarded "sufficiently financially responsible to warrant the leasing of the property to it," the Senate probers pointed out the agreement would involve huge payments by the government.

Under the proposal, the company will get a maximum of \$280,000 annually in ore royalties, \$560,000 annually for operating the reduction plant, and \$300,000 for construction and engineering services, the report said.

## LITTLE EXPERIENCE

Besides being unable to obtain a license to use the contemplated system, the company has "little or no construction experience," the committee added, and other individuals are being paid more than \$1,000,000 to supervise construction of the Las Vegas plant.

Four West Coast shipyards visited during the trip are doing a "truly amazing" job of turning out merchant vessels, the investigators commented. Labor was urged to relax craft restrictions which have caused trouble in the past, although the report termed management-worker relations "excellent."

# WPB PROPOSES PLAN TO CURB WAR PROFITS

Move Pressed as  
Probers Reveal  
\$280,000 Royalties  
On \$50,000 Outlay

By JOHN C. O'BRIEN

Inquirer Washington Bureau

WASHINGTON, April 2.—A plan to take excessive profits out of war contracts, which has the approval of the War Production Board and the Army and the Navy, was submitted today to a Senate Appropriations sub-committee, as the Truman committee threw the spotlight on what it termed "one of the most flagrant attempts at war profiteering to come to its notice."

Irked by repeated disclosures of exorbitant war profits, of which the latest instance was a proposed lease by the Government of magnesite ore deposits, a majority of the Senate appeared to be ready to act speedily to overhaul existing contracts and impose drastic profit restrictions on future contracts.

## SUBSTITUTE PLAN

The WPB-War-Navy plan, submitted today by Donald Nelson, WPB chairman, and endorsed by the War and Navy Departments, probably will be submitted to the Senate as an amendment to the \$18,301,961,345 supplemental war appropriations bill. The plan would be offered as a substitute for the House bill limiting war contract profits to six percent, which neither the WPB nor the Army and Navy considers satisfactory.

In brief, the WPB-Army-Navy profits control plan provides:

1. That future war contracts shall be so written as to bind contractors not to pay exorbitant salaries or bonuses or to set aside unreasonable reserves.
2. That the Secretaries of the War and Navy Departments and the chairman of the Maritime Commission be given authority to re-negotiate war contracts in the amount of \$500,000 or more.

## AUDITING PROPOSED

3. That the Secretaries of War and Navy Departments and the head of the Maritime Commission shall have the power to audit periodically the books of war contractors and to require periodic cost reports.
4. That the provision of the second War Powers Act, which requires the Army and the Navy to report to Congress all war contracts of \$10,000 or more, be amended so as to require reports only on contracts of \$50,000 or more.

Submission of the Nelson profits plan coincided with the publication of the Truman sub-committee's report strongly condemning a proposed lease by the Basic Magnesium, Inc., of 600 acres of magnesite ore deposits. The Government proposes to work the deposits for the reduction of magnesium, a critical metal.

The sub-committee reported that the president of Basic Magnesium, Inc., admitted that not over \$25,000 to \$50,000 was spent by his company in proving its claims to the deposits.

## \$1-A-TON ROYALTY

"Yet," the report stated, "B. M. I. is asking the Government to pay \$1 a ton royalty and all costs of quar-

rying for these ores, which, if the plant operated at capacity, would produce \$280,000 a year royalties on a total investment of not over \$50,000."

The sub-committee pointed out that it was significant that a company which controls 55 percent of B. M. I.'s stock was leasing quarries nearby at 25-cents-a-ton royalty.

The sub-committee also reported that B. M. I. was to receive a fee, which at maximum operation would equal \$560,000 a year, for operating a reduction plant at Las Vegas, N. M., for the defense plant corporation.

"The sub-committee," the report states, "can find little or no return to the Defense Plant Corp. to justify any such fee."

## \$300,000 MORE

"In addition," the report stated, "Basic Magnesium, Inc., is to receive a \$300,000 fee plus cost for construction and engineering services, although it had had little or no construction experience in the past and although more than \$1,000,000 is to be paid in fees for construction, engineering and architectural services to be performed by others on a cost-plus fixed-fee basis."

Citing this and other flaws in the critical metals production program, the sub-committee concluded that "there is still something seriously wrong in the light metals section of the War Production Board."

Although Nelson did not attend the meeting of the appropriations sub-committee which considered the war profits control plan, explaining that he had to attend a cabinet meeting, he sent a letter strongly advocating the proposal.

## BACKED BY ARMY

Lieutenant-General Brehon B. Somervell, chief of the new Army Division of Supply, urged its approval on behalf of the Army. The views of the War Production Board, and the Navy, were presented by a committee of legal experts who had prepared the plan in the form of a joint resolution.

Although a majority of the committee appeared to favor the plan, Senator Elmer Thomas (D., Okla.) said he did not believe it would "be of any additional benefit" to the Government. He pointed out that Army and Navy have the power to negotiate contracts.

Senator Joseph C. O'Mahoney (D., Wyo.), on the other hand, said he believed that the scheme had merit. He said he thought the committee would work it over and that it would be offered as an amendment to the supplemental war funds bill.

# Magnesium Contractor Under Fire

Huge Profit Prospects  
Hit; Plane Plants  
Get Clean Bill.

WASHINGTON, April 2.—(U.P.)

—The Senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which, at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if Defense Plant Corporation should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay

BMI \$1,000,000." Additionally, BMI's royalties, under the proposed ore lease "would be doubled to two dollars a ton or \$560,000 a year."

The committee recommended that Defense Plant Corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said that:

1. A lack of "over-all" planning by the now defunct Office of Production Management and the armed services is responsible for the failure of West Coast airplane plants to operate at full capacity. The report absolved labor and management of blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply assembly plants.

The committee, asserting the War Production Board has not a "single top-notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft-production executive drafted from industry."

2. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production . . . it is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

3. Shipbuilding: The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards which were mud flats only a year ago is truly amazing. . . ."

It said shipbuilding labor should consider "all proposals aimed at reducing costs."

4. Guayule rubber: "There appears to be no question but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

5. West Coast defense: The committee said it found that "although technically there is not unity of command, there would be as complete co-ordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

6. Light metals: It recommended acceptance of an offer by the Permanente (Calif.) Corporation to produce magnesium at "out-of-pocket" cost plus depreciation. It said a production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process but two units should be completed—one using that process and the other the Doerner process.

Elaborating on the case of Basic Magnesium, Inc., the committee said the Defense Plant Corporation is paying "tremendous fees" for so-called "know-how" in connection with construction of the Las Vegas plant. It said this plant is "only 9 per cent complete" as far as the metal-producing units are concerned even though the original contract was signed August 19, 1941.

# 4,280 Pct. Profit Seen in Magnesium War Deal

## Truman to Probe Federal Loan to Nevada Firm

'High Salaries Paid,  
Little Production of  
Munitions'

WASHINGTON, April 3 (INS).—The Senate was told today that a Las Vegas, Nev., mining firm would realize a profit of 4,280 per cent, or \$2,140,000 a year, on a war contract with the Defense Plant Corporation.

Senator Bunker (D., Nev.) made the disclosure, charging that one out of every four employees of the mining concern, Basic Magnesium Inc. of Nevada, was receiving a salary of from \$9,000 to \$36,000 a year.

### TAXPAYERS' MONEY

"It should be noted," said Bunker, "that the salaries of these officials are being paid out of the taxpayers' money advanced to the firm by the Defense Plants Corporation."

"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."

The Truman committee is planning an investigation of a \$70,000,000 government loan made to the firm.

The loan, according to the committee, was made by the Defense Plant Corporation to Basic Magnesium Inc. of Nevada for the production of magnesium needed in the defense effort.

### U. S. OBLIGATIONS

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government is obligated to make these payments to the Nevada firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled.

2. \$560,000 a year over a period of 30 years for operation of the plant.

3. A \$300,000 fee, plus cost for construction and engineering service in which the mining firm, it was said, has had no experience; and

4. \$1,000,000 if the contract is dissolved by the government.

If Basic Magnesium Inc. decides to break the contract, repayment to the government shall be determined by arbitration.

### 'MISERABLE PROGRESS'

One member of the committee pointed out that the fact disclosed by a preliminary investigation showed that the defense plant corporation is paying "tremendous fees" merely for the "know how" or the process method.

"So far," the committee member said, "there has been only miserable progress."

WOODLAND, CAL., DEMOCRAT  
CIV. 2,004  
APRIL 3, 1942

## Nevada Loan to Be Investigated

WASHINGTON, April 3 (INS).—The special senate defense committee today announced that an investigation will be made into a \$70,000,000 government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corp., to Basic Magnesium Inc., of Nevada for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government is obligated to make these payments to the Nevada firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;

2. \$560,000 a year over a period of 30 years for operation of the plant;

3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,

4. \$1,000,000 if the contract is dissolved by the government.

OMAHA (NEB.) EVENING HERALD  
FRIDAY, APRIL 3, 1942

## Probers Flay Magnesium Deal

Washington, April 3 (INS).—The special senate defense committee today announced an investigation will be made into a 70 million-dollar government loan to a Nevada mining company, and at the same time termed the transaction "one of the most flagrant of war-profiteering attempts."

The loan, according to the committee, was made last year by the Defense Plant corporation to Basic Magnesium, Inc., of Nevada for production of magnesium. Committee members said the loan was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium the government is obligated to make these payments to the Nevada firm:

1. Two hundred eighty thousand dollars a year in royalties on an investment of 50 thousand dollars and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;

2. Five hundred sixty thousand dollars a year over a period of 30 years for operation of the plant.

3. A 300 thousand-dollar fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,

4. One million dollars if the contract is dissolved by the government.

PORTLAND, ORE., OREGONIAN  
CIV. 18,150, Sunday Edition  
APR 4 - 1942

## Mining Deal Under Fire

WASHINGTON, April 3 (INS).—The special senate defense committee Friday announced that an investigation will be made into a \$70,000,000 government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the defense plant corporation, to Basic Magnesium, Inc., of Nevada for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

### Royalties Heavy

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government is obligated to make these payments to the Nevada firm:

1. Two hundred and eighty thousand dollars a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled.

2. Five hundred and sixty thousand dollars a year over a period of 30 years for operation of the plant.

3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience.

4. One million dollars if the contract is dissolved by the government.

However, if B. M. I. decides to break the contract, repayment to the government shall be determined by arbitration.

PITTSBURGH, PA., PRESS  
CIV. 223,081, Sun. 349,267  
APRIL 3, 1942

## President of Firm Silent on Charges

By The United Press

RENO, Nev., April 3.—Howard P. Ellis, president of Basic Magnesium, Inc., charged by the Senate committee investigating the war program with a "flagrant attempt at war profiteering" today said "I have no statement to make."

"I could say lots of things. But I have no statement."

Magnesium is used for airplane production and incendiary bombs.

RENO, NEV., GAZETTE  
CIV. 12,381  
APRIL 3, 1942

## THE TRUMAN COMMITTEE'S CHARGES

SERIOUS CHARGES have been made against the Defense Plant corporation and Basic Magnesium, Inc., on the basis of an incomplete investigation by a senate subcommittee of the magnesium development project near Las Vegas.

The Defense Plant corporation is a government appendage created by the Reconstruction Finance corporation with broad powers to conserve and stimulate the production of strategic and critical materials essential to the war program.

Basic Magnesium, Inc., a subsidiary of the Cleveland, Ohio, corporation which owns the large deposits of magnesite near Luning, has a contract with the government providing for assistance in construction of the \$63,000,000 plant near Las Vegas and for operation of the plant after its completion.

The charges made yesterday by the senate subcommittee are largely concerned with the terms of the contract between the government corporation, Defense Plant corporation, and Basic Magnesium, Inc. The committee asserts that the fees allowed Basic Magnesium, Inc., for construction, engineering and architectural services and for operation of the plant, as well as the royalties that would accrue to BMI under the ore lease, "appear to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice." The senate group also charges that terms of the contract which provide for a payment of a million dollars to BMI and doubling of the ore royalties in case of cancellation of the lease because of poor performance "seem to put a premium on mismanagement."

Senator Berkeley L. Bunker of Nevada, who has been at odds for some time with Howard P. Ellis, jr., president of Basic Magnesium, and who asked for the senate investigation, has announced that senate committee hearings on the matter will be continued in Washington. Pending full revelation of the testimony and completion of the hearings, judgment must be withheld on the legitimacy of the committee's charges.

Although the Truman committee's record in previous probes is good, this Nevada project represents a pioneering attempt in a field that is vastly more intricate than any the senate group has surveyed. The injection of politics and commercial rivalries into the investigation also tends to obscure the picture and to warn against drawing any premature conclusions.

Nevadans, of course, have a tremendous interest in the successful operation of this \$63,000,000 magnesium development project. The largest industrial development ever undertaken in the state, it promises to provide increased employment possibilities and to swell the state's population.

The project has progressed to the point where its ultimate completion is assured. The interest of Nevadans in this investigation, then, is identical to the interests of citizens and taxpayers throughout the country. As taxpayers, all have a stake in the construction and operation of this project.

If the Defense Plant corporation has executed a contract which, as the committee charges, would permit profiteering, the contract must be adjusted. If Basic Magnesium is guilty of poor management of this vital defense industry, it should be relieved of its contract or accept a downward adjustment of its fees. Decision on the proper procedure for all parties concerned must await the evidence produced in a complete inquiry.

Seattle (WA) Post-Intelligencer  
April 3, 1942

## PLANE OUTPUT LAG BLAMED ON POOR PLANNING

Senate Group Raps Red Tape;  
Lack of Vital Parts Curbs  
Assembly Line Production

WASHINGTON, April 2. —(AP).—The senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

### EXPERT NEEDED

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working forty-eight hours a week and only one employer advocated modification of the forty-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corp. reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said near-by quarries were being leased for 25 cents a ton royalty.

### WEST COAST O. K.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast shipyards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

## POOR PLANNING HELD DELAYING PLANE OUTPUT

### Lag in Supplying Parts Found.

(By the Associated Press.)

Washington, April 2.—The Senate Defense Investigating Committee, attributing the situation to poor planning, reported today war-plane assembly lines in some of the bigger factories were operating below top speed because some parts were not ready on time.

In a report to the Senate, the committee said a subcommittee which recently visited the West Coast had found the fault lay largely in the government's failure to bring about expansion of the facilities of about 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

### Urges WPB Try To Crack Bottlenecks.

Saying it had been informed the War Production Board "still does not have a single, top-notch aircraft production man in its setup," the committee recommended the production agency draft one immediately. It urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

### Proposed Lease Seen As Attempt to Profiteer.

Discussing the production of aluminum and magnesium, the committee recommended the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there still is something seriously wrong in the Light Metals Section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast shipyards

was progressing satisfactorily on the whole and that labor relations in the plants visited were "excellent."

NEW YORK, N. Y. TIMES  
CIV. 474,277  
APRIL 3, 1942

## WPB PLANE CHIEF URGED ON SENATE

### Report on Aircraft Charges Bottlenecks in Parts Due to Lack of 'Overall Planning'

By C. P. TRUSSELL

Special to THE NEW YORK TIMES.

WASHINGTON, April 2.—Bottlenecks in vital aircraft parts so serious that producers of military and naval planes have had to slow down their assembly lines were reported to the Senate today by a special defense investigating committee which blamed the described situation on "a poor job of over-all planning" by the armed forces and the now superseded Office of Production Management.

The committee based its opinion upon on-the-ground check-ups at West Coast aviation centers just completed by a subcommittee of three, which asserted that when the expansion of aircraft plants was undertaken a year ago "no attention was paid" to the necessity for simultaneous and proportionate expansion as well as of the facilities of about 4,000 suppliers of required parts and subassemblies.

"Rather than work trained crews at top speed until materials are exhausted and then lay the men off for a few days, with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production," the report stated.

"Individual workmen, unaware of all the facts, but knowing the plant was not operating at full capacity, have charged a deliberate 'slowdown' existed and their stories have created public uneasiness."

"Actually every effort is being made to break these bottlenecks and the subcommittee is hopeful that assembly lines soon will be able to operate at peak capacity."

While emphasizing that plane production in West Coast plants was now "several times greater" than it was a year ago and was increasing every month, the subcommittee, headed by Senator Wallgren of Washington, called for

prompt action toward overall planning in aviation.

Stating that it had been informed that the War Production Board still did not have "a single top-notch aircraft production man in its organization," the committee recommended that it draft one from the industry to head a special section to be created for planning to meet all present and future problems.

"Instead of wasting its energies on a generalized plea for 'all-out production,' which has confused management, labor and the public," the report recommended also that "the WPB concentrate its efforts on breaking those bottlenecks which are in the aircraft industry to the subcommittee's certain knowledge and probably in other fields, really holding up peak production."

The investigating subcommittee

SALT LAKE CITY, UTAH, TRIBUNE  
CIV. 58,522; Sunday 59,555  
APRIL 3, 1942

## Nevada Magnesium Set-Up Draws Fire of Senators

### Probers Urge DPC to Reject Las Vegas Project, Branded Flagrant Attempt at Profiteering

Tribune Washington Bureau

WASHINGTON, April 2.—The Truman senate subcommittee recommended Thursday that the Defense Plant corporation refuse to accept a pending lease with Basic Magnesium, Inc., for magnesite ore deposits, and termed the lease one of the most flagrant attempts at war profiteering to come to its notice.

The recommendation was contained in a preliminary report on the subcommittee's investigation begun March 23 and 24 at Las Vegas, Nev., where Basic Magnesium, Inc., is constructing a plant for producing the vital war metal. "Evidence gathered by the subcommittee," the report stated, "indicated that there is still something seriously wrong in the light metals section of the war production board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

### Tremendous Fees

Referring to the basic magnesium project, the report said "the facts disclosed at Las Vegas created the impression that DPC is paying tremendous fees for 'know how,' which so far has delivered miserable progress, the metal producing units being only 9 per cent complete, although the contract was signed August 13, 1941."

The subcommittee's report stated that the English process to be used at the Las Vegas plant is controlled jointly by the Aluminum Corporation of America and German interests.

"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 German interests."

### Urges Rejection

According to the report, the subcommittee is prepared "to urge most strongly" that the DPC refuse to accept what it termed were

"exorbitant royalty terms" proposed by Basic Magnesium, Inc., and its associated interests for the magnesite ore deposits. It contended that the 600 acres of ore deposits were claimed from the public domain by Basic Ores, a subsidiary of Basic Refractories of Cleveland, Ohio. Basic Refractories, Inc., own 55 per cent of Basic Magnesium's stock.

Testimony of Howard Eells, Basic Magnesium president, was that not over \$25,000 to \$50,000 was spent by this company in proving its claims to the deposits and explorations, the report showed.

The document said that Basic Magnesium is asking the government to pay \$1 a ton royalty and all costs of quarrying the ores. If the plant operated to capacity, this would produce \$380,000 a year royalties on a total investment of not over \$50,000. These royalties would be doubled if Basic Magnesium were not permitted to operate the plant, under the lease proposal.

It is significant that Basic Refractories is leasing quarries near these at 25 cents a ton royalty, it was pointed out.

SPARKS, NEV. TRIBUNE  
CIV. 710  
APRIL 3, 1942

## Eells Makes No Statement on Senate Charge

Howard P. Eells, president of Basic Magnesium Co., which has been charged by the Truman investigating committee of the U. S. Senate with war profiteering, was in Reno last evening but declined to make any statement regarding the charges. He left Reno for the east during the night.

The Senate Committee charges between the U. S. Defense Plant Corp. that the lease agreement between the Defense Plant Corporation and the Basic Magnesium Co. is one of the most flagrant attempts to profiteer from the war that has come to notice.

The committee charges that the government has contracted to pay the Magnesium company a profit of \$250,000 a year on an investment of only \$50,000. The contract calls for the payment of \$1.00 royalty a ton on magnesite ore that is supplied at the Las Vegas plant by the Magnesium company. The mining properties are at Gabbs, Nevada and are employing hundreds of men.

Men familiar with mining have intimated that the committee's charges are made without any knowledge of mining and mining values.

## ASSAIL FIRM HERE FOR 'PROFITEERING'

### Senate Probers Cite Fees of Basic Magnesium, Inc.

WASHINGTON, April 2.—(UP)—The Senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., of Cleveland, which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It said the company, headed by Howard P. Eells, Jr., is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for operation of the plant, which at maximum production will equal \$500,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

### Hit Royalty Terms

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee recommended that Defense Plant Corp. refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

VINTON (IA.) TIMES  
FRIDAY, APRIL 3, 1942

also greets  
(Continued on Page 2)

## To Investigate Profiteering by Mining Firm

Washington, April 3.—The special senate defense committee today announced that an investigation will be made into a \$70,000,000 government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corp., to Basic Magnesium, Inc., of Nevada for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government is obligated to make these payments to the Nevada firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;
2. \$500,000 a year over a period of 30 years for operation of the plant;
3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,
4. \$1,000,000 if the contract is dissolved by the government.

From  
HERALD  
Boston, Mass.

APR 3 1942

## SENATE HEARS PARTS FAILED TO KEEP PACE

WPB Air Head Urged  
For All-Out Planning,  
End to Bottleneck

By C. P. TRUSSELL  
(Boston Herald-N. Y. Times Dispatch)

WASHINGTON, April 2—Bottlenecks in vital aircraft parts so serious that producers of military and naval planes have had to slow down their assembly lines to keep their working forces intact were reported to the Senate today by a special defense investigating committee, which blamed the situation on "a poor job of over-all planning" by the armed forces and the now-abandoned Office of Production Management.

When the huge expansions of aircraft plants was undertaken a year ago, the subcommittee asserted after on-the-ground checkups at West Coast aviation centers, "no attention was paid" to the necessity for simultaneous and proportionate expansion as well of the facilities of thousands of suppliers of parts and sub-assemblies required to the turning out of completed planes. Hence, it pointed out, shortages developed in these critical items, and the assembly lines could not operate at capacity.

### KEEP PRESSURE DOWN

"Rather than work trained crews at top speed until materials are exhausted and then lay the men off for a few days, with probable loss of morale and trained mechanics," the subcommittee told the Senate, "the aircraft plants have simply refrained from turning on full pressure for peak production."

The effect, the subcommittee of three found, was different from that which had been contemplated.

"Individual workmen, unaware of all the facts, but knowing the plant was not operating at full capacity, have charged a deliberate 'slowdown' existed," it added, "and their stories have created public uneasiness."

"Actually every effort is being made to break these bottlenecks and the subcommittee is hopeful that assembly lines soon will be able to operate at peak capacity."

While it emphasized that plane production in West Coast plants was now "several times greater" than it was a year ago and was increasing

(Continued from First Page)

every month, the subcommittee, headed by Senator Wallgren of Washington, called for prompt action toward over-all planning in the aviation field.

The subcommittee had been in-

formed, it told the Senate, that WPB "still does not have a single top-notch aircraft production man in its organization." It recommended that it draft one from the industry and create, with him at its head, a special section charged with planning to meet all present and future problems.

"Instead of wasting its energies on a generalized plea for 'all out production,' which has confused management, labor and the public," the report recommended also that "the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the subcommittee's certain knowledge and probably in other fields, really holding up peak production."

In the fields of light metals, so vital to aircraft production, the investigating subcommittee ran into discouraging as well as encouraging situations.

### MAGNESIUM EXTREMES

It ran, too, it observed, into what appeared to be "one of the most flagrant attempts at war profiteering to come to its notice" in the production of magnesium.

On the other hand, it reported, it found a company, producing magnesium at out-of-pocket cost, plus reasonable depreciation, but at no profit, which proposed to proceed immediately to furnish the metal on those terms and complete facilities and experiments, meanwhile, with a view to lowering prices.

The committee urged that the government accept this proposal though the magnesium, under the processes of the Permanente Company plant, at Permanente, Cal., which made the offer, would require the paying of perhaps one cent a pound above present market price.

It recommended that the government refuse to pay the \$1-a-ton royalty and quarrying costs, asked by Basic Magnesium, Inc., at Las Vegas, Nev., which, it held, might enable that company to receive \$280,000 a year in royalties on a total investment of not more than \$50,000.

More investigation into Basic Magnesium, Inc., the committee told the Senate, will be undertaken later, here in Washington. In its western survey, it reported, it learned that:

The process proposed for the BMI plant at Las Vegas, being built entirely with Defense Plant Corporation funds and to be operated by the company, has been used commercially in England by a plant licensed by I. G. Farben of Germany, and is cheaper than the process employed by the Permanente and other companies.

Thus far, "miserable progress" has been made, the metal producing units being only 9 per cent completed, though the contract was signed last August.

From  
RECORD  
Philadelphia, Pa.  
APR 3 1942

## \$50,000 COMPANY TO GET MILLION PROFIT A YEAR

Nelson Proposes Curbs on  
Exorbitant Pay to  
Contractors.

WASHINGTON, April 2—The case of a company which stands to make \$1,000,000 a year on an investment of not over \$50,000 was cited today as "one of the most flagrant attempts at war profiteering" yet uncovered.

### Plant in Nevada.

The assertion was made by the Senate committee investigating the war program. It identified the company as Basic Magnesium, Inc., which will operate a magnesium plant for the Government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

The committee said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not over \$50,000."

### Other Fees.

The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

### Nelson Has Plan.

While the committee was making its revelation, Donald M. Nelson, head of the War Produc-

tion Board, submitted to a Senate Appropriations subcommittee a proposal to curb profits on war contracts.

The Nelson plan, formulated after conferences with Army and Navy procurement chiefs, would grant profit limitation control to the Secretaries of War and Navy, and the chairman of the Maritime Commission.

However, Nelson's plan would contain "safeguards" to assure corporations a reasonable return on their war business.

### Sent to Committee.

Nelson's recommendations were transmitted to the committee as it considered an \$18,301,961,345 war fund bill.

It appeared likely members would draft a substitute to a House provision placing a flat 6 percent profit limitation on contracts awarded from funds carried in the bill.

Representative Francis Case (R., S. D.), sponsor of the limitation amendment in the House,

said War Department officials approved it in principle.

### Demand WPB Act.

Meanwhile, on another front of the war production effort, the Senate defense investigating committee recommended that the WPB draft a trained aircraft executive to direct a campaign to break the bottlenecks which are "holding up peak production" in the war plane program. The armed forces also were accused of "a poor job of overall planning."

Summarizing a subcommittee's visit to the West Coast, the committee reported that plane assembly lines in big plants were not running to capacity because of recurring shortages of some vital parts being produced by subcontractors.

### Lauds Shipyards.

The committee said that its investigation of shipbuilding work had disclosed "truly amazing" progress in erecting yards.

It commented also that labor relations in the plants it visited were "excellent."

From  
POST  
Boston, Mass.

APR 3 1942

## FINDS HITCH IN BUILDING WARPLANES

Senate Group States  
Vital Parts Not  
Delivered

WASHINGTON, April 2 (AP)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

### POOR PLANNING

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upward of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

### Finds Bottlenecks

Furthermore, it urged that "instead of wasting energies on a generalized plea for 'all out production,' which has confused management, labor and the public, the W. P. B. concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry, to the committee's certain knowledge and probably in other fields, really holding up peak production."

The committee found that construction in West coast shipyards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

### No \$1 Per Ton Royalty

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period. The committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

APR. 3, 1942  
SPRINGFIELD, MO. NEWS

428

## SENATE EXPOSES WAR PROFITEERS

Nevada Magnesium Firm To  
Make \$1,000,000 A Year On  
\$50,000 Investment

By The United Press

WASHINGTON, April 2.—The senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

### Asks \$1-a-Ton Royalty

It said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$280,000 compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

### To Get \$300,000 Fee

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and en-

gineering services to be performed by others.

The committee said that, under terms of the contract, if Defense Plant corporation should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay BMI \$1,000,000." Additionally, BMI's royalties under the proposed ore lease "would be doubled to two dollars a ton or \$560,000 a year."

The committee recommended that Defense Plant corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

From  
STATE  
Columbia, S. C.  
APR 3 1942

## Committee Blames Low Plane Output On 'Planning'

Washington, April 2—(AP)—The senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the senate, the committee said a subcommittee which recently visited the West coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (office of production management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the war production board "still does not have a single top notch aircraft production man in its setup," the com-

mittee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the defense plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

## Magnesium Firm Cited As Profiteering Case

Senate Group Charges Million-A-Year Return on \$50,000

WASHINGTON, April 2. (UP).—The Senate war program investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

### Investment Small

It said the company is asking a royalty of \$1-a-ton on ore, bringing an annual return of \$380,000 compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee plus costs for plant construction "although it had little or no construction experience in the past" and although more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others.

The committee said that, under terms of the contract, if defense plant corporation should cancel BMI's contract "because of poor performance or any other reason . . . it will have to pay BMI \$1,000,000." Additionally, BMI's royalties under the proposed ore lease "would double to two dollars a ton or \$560,000 a year."

### Oppose Royalty Terms

The committee recommended that Defense Plant Corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said that:

1.—A lack of "over-all" planning by the now defunct office of production management and the armed services is responsible for the failure of west coast airplane plants to operate at full capacity. The report absolved labor and management from blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to coordinate the various plants and sub-contractors who supply assembly plants.

The committee, asserting the war production board has not a "single top notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

### Approve Short Week

2. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worth while to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production . . . It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

3. Shipbuilding—The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards which were mud flats only a year ago is truly amazing . . ."

It said shipbuilding labor should consider "all proposals aimed at reducing costs."

### Guayule Seed Lacking

4. Guayule rubber—"There appears to be no question but that rubber can be produced on a com-

mercially sound basis from Guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

5. West Coast defense—The committee said it found that "although technically there is not unity of command, there would be as complete coordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

6. Light metals—It recommended acceptance of an offer by the Permanente (Calif.) corporation to produce magnesium at "out of pocket" cost plus depreciation. It said a production plant at Spokane, Wash., should not be built entirely around the ferroalloy process but two units should be completed—one using this process and the other the Doerner process.

From  
Wilmington, Del.  
APR 3 1942

## SENATE PROBES HIT BOTTLENECKS

Lack of Vital Parts Slow  
Warplane Assembly Lines  
In Plants, Group Reports

WASHINGTON, April 2. (AP).—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

### To Draft Aircraft Man

Commenting that it had been informed the War Production Board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on the

breaking those bottlenecks which are really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty. "This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

The committee found that construction in west coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

From  
GLOBE  
Boston, Mass.  
APR 3 1942

## Senate Committee Report Poor Government Planning in Warplane Industry Hit

WASHINGTON, April 2. (AP).—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old O. P. M. (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been in-

formed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production,' which has confused management, labor and the public, the W. P. B. concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

The committee found that construction in West Coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modifica-

tion of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

The committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the Government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

From  
JOURNAL  
Providence, R. I.  
APR 3 1942

## Senators Ask WPB Draft Top Notch Plane Producer

Defense Investigating Committee Blames Government Because Assembly Lines Run Below Peak;  
Sees Profiteering in Magnesium Concern's Bid

Washington, April 2.—(AP).—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the west coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

### Would Break Bottlenecks

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in

other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by Basic Magnesium, Inc., at Las Vegas, N. M., that the Government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

Sees "War Profiteering"  
"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with Government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

From  
TIMES-DISPATCH  
Richmond, Va.  
APR 3 1942

## WPB Urged To Acquire Air Expert

WASHINGTON, (AP).—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported yesterday that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job for overall planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

### No Plane Men Included

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

### "Profiteering" Effort Seen

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demands for these metals."

The committee found that construction in West Coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

APR 3 1942

## WANTS WPB TO DRAFT PLANE EXECUTIVE

Senate Committee Would Have Him Break Bottlenecks—  
Armed Forces Blamed For Poor Over-All Planning

Washington (AP)—Criticizing the nation's armed forces for a "poor job of over-all planning," the Senate defense investigating committee recommended yesterday that the War Production Board draft a trained aircraft executive to direct a drive to break the bottlenecks which are "holding up peak production" in the war plane program.

Summarizing a sub-committee's visit to the West Coast, the committee reported that plane assembly lines in big plants were not running to capacity because of recurring shortages of some vital parts being produced by sub-contractors.

"A poor job of over-all planning from aluminum ingots to finished aircraft by the armed services and the old OPM must be blamed for the present situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

The committee recommended that WPB set up a section charged with over-all planning for aircraft production headed by a trained production executive drafted from the industry.

"The sub-committee had been told," the report continued, "that WPB still does not have a single topnotch aircraft production man in its organization."

### Stop Wasting Energy On Generalities

The report recommended also that "instead of wasting its energies on a generalized plea for all-out production which has confused management, labor and the public," WPB concentrate its efforts on breaking those bottlenecks which are "in the aircraft industry to the sub-committee's certain knowledge and probably in other fields really holding up peak production."

Reviewing production of aluminum, the committee said evidence gathered by its sub-committee "indicated there is still something seriously wrong in the light metals section of the War Production Board, successor to the old OPM section which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee said its investigation of shipbuilding work had disclosed "truly amazing" progress in erecting yards.

In a formal report to the Senate based upon the study of a special sub-committee from March 9 to March 25 the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

### A Flagrant Attempt At Profiteering Alleged

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000, compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property of it," the report said.

The Defense Plant Corp. is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only 9% complete" as far as the metal producing units are concerned.

The committee recommended that an offer by Permanente Corp., Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted.

## PLANE FACTORIES SAID HANDICAPPED BY POOR PLANNING

Vital Parts Not Ready On  
Time, Senate Investigating  
Board Reports—OPM Gets  
Part of Blame

Washington, April 2.—(AP)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

## Plane Assembly Lines Operating Below Top Speed, Group Claims

Vital Parts Not Ready On Time, Defense Com-  
mittee Reports To Senate

Washington, April 2.—(AP)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

**Urging Drive On Bottlenecks**  
Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corp. reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

**Claim Flagrancy**  
"This proposed lease appears to the sub-committee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the sub-committee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

Commenting that it had been informed the War Production Board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued: "Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production board."

From TIMES  
DETROIT, MICH.

APR 3 1942

## 70 Million Loan To Mining Firm Arouses Senate

By JACKSON ELLIOTT

Int'l News Service Staff Correspondent

WASHINGTON, April 3.—The special Senate defense committee today announced that an investigation will be made into a \$70,000,000 government loan to a Nevada mining company.

The committee termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corporation to Basic Magnesium, Inc., of Nevada, for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

### U. S. OBLIGATION

H. G. Robinson, investigator for the committee, reported that under the contract with Basic Magnesium the government is obligated to make these payments to the Nevada firm:

1.—\$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled.

2.—\$560,000 a year over a period of 30 years for operation of the plant.

3.—A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience.

4.—\$1,000,000 if the contract is dissolved by the government.

The agreement was entered into after two American firms, Basic Refractories and Basic Ores, combined with a British firm, Magnesium Elektron, Ltd.

### LINK TO FARBEIN

The British firm owned license rights to a magnesium mining process through an agreement with I. G. Farbenindustrie, the German trust with which, it has been charged, the Standard Oil Company dealt in monopolizing rubber patents.

Basic Magnesium informed the Defense Plant Corporation it could produce 112,000,000 pounds of magnesium ore annually and the agreement was settled on Aug. 13, 1941. To date, only 9 per cent of the magnesium metal producing units have been completed, the Senate committee says.

One member of the committee pointed out that the facts disclosed by a preliminary investigation showed that the Defense Plant Corporation is paying "tremendous fees" merely for the "know how," or the process method.

## Wanted: More Experts

Sen. Harry Truman's committee investigating America's war effort, which has turned up some pretty juicy bits of information during its comparatively brief career, now comes up with more.

It finds that "a poor job of over-all planning . . . by the armed forces and the old OPM must be blamed" for the failure of America's aircraft industry to achieve peak production.

It goes on to recommend that the WPB—successor to the OPM—draft a trained aircraft executive to break the bottlenecks in the industry and set it to producing, at top speed, the planes which our fighting forces must have to carry on a victorious fight.

That, it seems to The Leader and Press, is an eminently sensible suggestion. We feel, however, that the committee could have gone even farther than that. Why not, it occurs to us, have "experts" in all branches of the WPB, instead of some of the dollar-a-year men who now provide Washington columnists with so much of their material—none of it very complimentary to the dollar-a-year men.

There is a case in point in the very same report of the Truman committee—the case of the lease agreement between the defense plant corporation and Basic Magnesium, Inc., an agreement which the committee called "one of the most flagrant attempts at war profiteering to come to its attention."

Now there, it seems to us, is a case where an "expert" would have been a very handy fellow to have around. An "expert" would have detected the flaws which the committee found in the agreement. An "expert" never would have made such an agreement in the first place.

In a case like this, you can hardly blame Basic Magnesium, Inc. The blame lies squarely upon the government official who entered into such a deal—a deal which, at best, seems stupid and unbusinesslike.

From  
RECORD  
Boston, Mass.

APR 3 1942

## Fix Blame In Plane Slow-Up

WASHINGTON, April 2 (AP)—The Senate investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a report to the Senate, the committee said a sub-committee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 sub-contractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

### TOP MAN NEEDED

Commenting that it had been informed the War Production Board

## Plane Plant Output Lags, Parts Short

Senate Inquiry Board Finds  
Some of Big Plants Are  
Slowing Down.

Washington, April 2. (AP)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (office of production management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the war production board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

**Cite Profiteering**  
Employees in the West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the defense plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

**FLAGRANT PROFITEERING**  
"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the war production board, successors of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast shipyards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

Commenting that it had been informed the War Production Board "still does not have a single top notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued: "Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production board."

From  
POST  
Boston, Mass.

APR 3 1942

## MAGNESIUM, INC., CALLED PROFITEER

### Will Make Million on \$50,000 Outlay, Is Charge

WASHINGTON, April 2 (UP)—The Senate war programme investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

#### PROFITEERING CHARGED

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It is said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$300,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$200,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee, plus costs for plant construction, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services, to be performed by others.

#### Royalties to Pile Up

The committee said that, under terms of the contract, if Defense Plant Corporation should cancel B.M.I.'s contract "because of poor performance or any other reason," it will have to pay B.M.I. \$1,000,000. Additionally, B.M.I.'s royalties under the proposed lease "would be doubled to \$2 a ton, or \$600,000 a year."

The committee recommended that defense plant corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said that: A lack of "over-all" planning by the now defunct Office of Production Management and the armed services is responsible for the failure of West coast airplane plants to operate at full capacity. The report absolved labor and management from blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply assembly plants.

#### No Ability in Management

The committee, asserting the War Production Board has not a "single top notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

Ship building—The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards, which were mud flats only a year ago, is truly amazing."

It said ship building labor should consider "all proposals aimed at reducing costs."

"There appears to be no question," says the report, "but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

The committee said it found that "although technically there is not unity of command, there would be as complete co-ordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

From  
SUN  
Baltimore, Md.

APR 3 1942

## BLAME PLACED IN PLANE LAG

### Senate Group Says Poor Planning By Government Is Cause

### WPB Should Draft Expert In Aircraft Production, Report Asserts

(By the Associated Press)

Washington, April 2.—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the Government's failure to bring about expansion of the facilities of upward of 4,000 subcontractors who supply parts.

#### "Poor Job Of Planning"

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed "the War Production Board 'still does not have a single top-notch aircraft production man in its setup,'" the committee recommended that the production agency draft one immediately.

#### Bottlenecks Cited

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working forty-eight hours a week and only one employer advocated modification of the forty-hour week law under which workers receive time-and-a-half pay for all work in excess of that period.

#### Royalty Plan Opposed

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the Government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said near-by quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

#### Metal Section Assailed

Summing up its inquiry into the construction of several magnesium and aluminum plants with Government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still

something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West Coast shipyards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

PR. 3, 1942 429

## SENATE GROUP TO LOOK INTO MINING LOANS

### \$70,000,000 Granted to Nevada Company, Checkers Learn

WASHINGTON, April 3.—(INS)—The special senate defense committee today announced that an investigation will be made into a \$70,000,000 government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corp., to Basic Magnesium Inc., of Nevada, for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government "is obligated to make these payments to the Nevada firm:

#### Four Angles Cited

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;
2. \$560,000 a year over a period of 30 years for operation of the plant;
3. \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,
4. \$1,000,000 if the contract is dissolved by the government.

#### Agreement Cited

However, if B. M. I. decides to break the contract, repayment to the government shall be determined by arbitration.

The agreement was entered into after two American firms, Basic Refractories and Basic Ores, combined owned license rights to a magnesium Elektron, Ltd. The British firm owned license rights to a magnesium mining process through an agreement with I. G. Farbenindustrie, the German trust with which, it has been charged, the Standard Oil company dealt in monopolizing rubber patents.

B. M. I. informed the Defense Plant corporation it could produce 112,000,000 pounds of magnesium ore annually and the agreement was settled on August 13, 1941. To date, only nine per cent of the magnesium metal producing units have been completed, the senate committee says.

One member of the committee pointed out that the facts disclosed by a preliminary investigation showed that the Defense Plant corporation is paying "tremendous fees" merely for the "know how," or the process method.

"So far," the committee member said, "there has been only miserable progress."

"It all adds up to the fact that there is still something seriously wrong with the light metals section of the war production board," he concluded.

AGE-HERALD  
Birmingham, Ala.

APR 3 1942

## POOR PLANNING BLAMED FOR LAG

### Senate Committee Says Lack Of Parts Slows Some War Plants

WASHINGTON, April 2.—(P)—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported Thursday that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found the fault lay largely in the government's failure to bring about expansion of the facilities of about 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West Coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the defense plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the cost of quarrying, for ores from the company's deposits. It said nearby quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production Board, successor of the old OPM section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

NEWS  
Harrisburg, Pa.

APR 3 1942

## 70-Million Loan To Nevada Firm Will Be Probed

WASHINGTON, April 3.—The Special Senate Defense Committee today announced that an investigation will be made into a \$70,000,000 Government loan to a Nevada mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corporation, to Basic Magnesium, Inc., of Nevada, for the production of magnesium needed in the defense effort. Committee members said that the loan, made last year, was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the Government is obligated to make these payments to the Nevada firm:

1. Two hundred and eighty thousand dollars a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;
2. Five hundred and sixty thousand dollars a year over a period of thirty years for operation of the plant;
3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and,
4. One million dollars if the contract is dissolved by the Government.

However, if B.M.I. decides to break the contract, repayment to the Government shall be determined by arbitration.

The agreement was entered into after two American firms, Basic Refractories and Basic Ores, combined with a British firm, Magnesium Elektron, Ltd. The British firm owned license rights to a magnesium mining process through an agreement with I. G. Farbenindustrie, the German trust with which, it has been charged, the Standard Oil Company dealt in monopolizing rubber patents.

B.M.I. informed the Defense Plant Corporation it could produce 112,000,000 pounds of magnesium ore annually and the agreement was settled on August 13, 1941.

To date, only 9 per cent of the magnesium metal producing units have been completed, the Senate Committee says.

OBSERVER  
Charlotte, N. C.

APR 3 1942

## LAG IN PLANE OUTPUT SCORED

### Senate Committee Blames Poor Planning For Delays In Obtaining Vital Parts.

WASHINGTON, April 2.—(P)—The Senate defense investigating committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the West Coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old O. P. M. (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed the War Production Board "still does not have a single top-notch aircraft production man in its set-up," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor, and the public, the W. P. B. concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most West coast plants, the committee reported, were working 48 hours a week, and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said near-by quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

Summing up its inquiry into the construction of several magnesium and aluminum plants with government aid, the report continued:

"Evidence gathered by the subcommittee indicated there is still something seriously wrong in the light metals section of the War Production board, successor of the old O. P. M. section, which failed so miserably to anticipate and prepare for the greatly increased demand for these metals."

The committee found that construction in West coast shipyards was progressing satisfactorily on the whole, and added that labor relations in the plants visited were "excellent."

From  
FREE PRESS  
Detroit, Mich.

APR 3 1942

## Probers Ask for Aircraft Boss in WPB

### Senate Body Reports; Criticizes Poor Job of Over-All Planning in War Production

(By the Associated Press)

WASHINGTON, April 2.—The Senate Defense Investigating Committee, blaming the situation on poor planning, reported today that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready on time.

In a formal report to the Senate, the committee said that a subcommittee which recently visited the West Coast had found that the fault lay largely in the Government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors who supply parts.

#### Blames Poor Planning

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM (Office of Production Management) must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Commenting that it had been informed that the War Production Board "still does not have a single top-notch aircraft production man in its setup," the committee recommended that the production agency draft one immediately.

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all-out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

#### Balks at High Bid

Discussing the production of aluminum and magnesium, the committee recommended that the Defense Plants Corp. reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the Government pay \$1 a ton royalty, plus the costs of quarrying, for ores from the company's deposits. It said that near-by quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

# Senate Committee Finds Lack of Planning Cause Of Delayed Plane Output

Labor, Management Absolved as Blame  
Placed on Over-All Administration of  
Program; Corrective Measures Asked

WASHINGTON, April 2. (UP)—The senate committee investigating the war program charged today 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.

In a formal report to the senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production. It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present war production board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp., and a private firm for obtaining ore from a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to its (the committee's) notice."

## ROYALTY CHARGED

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$230,000 compared to a total investment "of not over \$50,000."

"Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

The Defense Plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, which is "only nine per cent complete" as far as the metal producing units are concerned. The report pointed out that the original contract was signed Aug. 13, 1941.

## PAYS INEFFICIENCY

"Should Defense Plant corporation, because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI \$1,000,000," the report said. "In addition, BMI's royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year."

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Sen. Mons C. Wallgren, D. Wash., and by Committee Chairman Harry S. Truman, D. Mo., contained the following conclusions and recommendations:

1. Aviation—Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to coordinate the various plants and subcontractors who supply the assembly plants with their materials.

2. Light metals—An offer by the Permanente corporation, Permanente, Calif., to produce magnesium on a cost and depreciation basis should be accepted. A magnesium production plant at Spokane, Wash., should not be built entirely around the ferrosilicon process, but two units should be completed—one using this process and the other the doerner process.

## SHIPBUILDING GOOD

3. Shipbuilding—"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

4. Labor—"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production. It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

# MAGNESIUM, INC., CALLED PROFITEER

Will Make Million on  
\$50,000 Outlay, Is  
Charge

WASHINGTON, April 2 (UP)—The Senate war programme investigating committee today cited as "one of the most flagrant attempts at war profiteering" the alleged case of a magnesium firm which will make nearly \$1,000,000 a year for a possible period of 30 years on an investment of "not over \$50,000."

## PROFITEERING CHARGED

The committee said the company is Basic Magnesium, Inc., which will operate a magnesium plant for the government at Las Vegas, Nev., and will supply the ore from 600 acres of deposits.

It is said the company is asking a royalty of \$1 a ton on ore, bringing an annual return of \$230,000, compared with a total investment of "not over \$50,000." The company, according to the committee, "is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of property to it."

Additionally, the report said, the firm is to receive a \$300,000 fee, plus costs for plant construction, "although it had little or no construction experience in the past," and although more than \$1,000,000 is to be paid for architectural and engineering services, to be performed by others.

## Royalties to Pile Up

The committee said that, under terms of the contract, if Defense Plant Corporation should cancel BMI's contract "because of poor performance or any other reason," it will have to pay BMI \$1,000,000. Additionally, BMI's royalties under the proposed ore lease "would be doubled to \$2 a ton, or \$560,000 a year."

The committee recommended that defense plant corporation refuse the royalty terms and said terms of the contract "seem to put a premium on mismanagement and incompetency."

Its report was based on the study of a subcommittee which also said that: A lack of "over-all" planning by the now defunct Office of Production Management and the armed services is responsible for the failure of West coast airplane plants to operate at full capacity. The report absolved labor and management from blame. It said reports that workers are staging "slow-downs" in aviation plants seem to have little basis. Actually, it said, lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply assembly plants.

## No Ability in Management

The committee, asserting the War Production Board has not a "single top notch aircraft production man" in its organization, recommended the WPB set up a special airplane section headed by a "trained aircraft production executive drafted from industry."

Ship building—The report said that although exact production figures cannot be published, the rate at which ships are being built "in huge yards, which were mud flats only a year ago, is truly amazing . . ."

It said ship building labor should consider "all proposals aimed at reducing costs."

"There appears to be no question," says the report, "but that rubber can be produced on a commercially sound basis from guayule. However, experiments heretofore have been so restricted that there is not sufficient seed to make possible any production in quantities sufficient to alleviate markedly our rubber shortage within three or four years."

The committee said it found that "although technically there is not unity of command, there would be as complete co-ordination of action as is possible without unity of command." It said "very effective" measures have been taken to meet any possible attack.

# URGES WPB NAME AIRCRAFT 'CZAR'

Senate Group Ask Action to  
Open Up Bottlenecks

WASHINGTON, April 2—(P)—Deploing airplane bottlenecks, the Senate defense investigating committee today charged that the War Production Board "still does not have a single topnotch aircraft production man in its setup." The committee recommended that the production agency draft one immediately.

Blaming the situation on poor planning, the committee reported that warplane assembly lines in some of the bigger factories were operating below top speed because vital parts were not ready in time.

In a formal report to the Senate, the committee said a subcommittee which recently visited the west coast had found that the fault lay largely in the government's failure to bring about expansion of the facilities of upwards of 4,000 subcontractors, who supply parts.

## Over-All Planning Hit

"A poor job of over-all planning, from aluminum ingots to finished aircraft, by the armed services and the old OPM must be blamed for the situation," the committee said. "The usual red tape and delays in making contracts also were partly responsible."

Furthermore, it urged that "instead of wasting its energies on a generalized plea for 'all out production' which has confused management, labor and the public, the WPB concentrate its efforts on breaking those bottlenecks which are, in the aircraft industry to the committee's certain knowledge and probably in other fields, really holding up peak production."

Employees in most west coast plants, the committee reported, were working 48 hours a week and only one employer advocated modification of the 40-hour week law under which workers receive time and a half pay for all work in excess of that period.

## Raps Aluminum Proposal

Discussing the production of aluminum and magnesium, the committee recommended that the defense plants corporation reject a proposal by the Basic Magnesium, Inc., at Las Vegas, N. M., that the government pay \$1 a ton royalty, plus the cost of quarrying, for ores from the company's deposits. It said near-by quarries were being leased for 25 cents a ton royalty.

"This proposed lease appears to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice," the report said.

The committee found that construction in west coast ship yards was progressing satisfactorily on the whole and added that labor relations in the plants visited were "excellent."

BY MAIL, ONE YEAR.....

# Hope of Democracy

A Magnesium company in Nevada stands to make a profit of 4,280 per cent at the expense of the United States government in time of war—and an Inglewood father of twin daughters who has devoted fifteen years of his life to the U. S. Navy goes down with the U. S. S. Houston.

An oil company in New Jersey sells this government down the river by delivering its synthetic rubber program, lock, stock and barrel, to Nazi Germany at a time when there is an acute shortage of rubber in this country—and when ten American citizens, residents of Inglewood, are taken prisoners by the Japanese on a barren island in the Pacific.

A group of business pirates in Ohio are revealed to have paid a stenographer \$40,000 a year, so great was their profit from the U. S. government in the manufacture of an absolute monopoly—while rescuers were dragging an Inglewood merchant marine captain out of the Pacific Ocean after his boat had been torpedoed by a Japanese submarine.

There are no executives on the payroll of a government subsidized company (In Nevada) whose salary does not run into five figures—in Inglewood during the next few months they are going to select more than a thousand men to leave their jobs and work for Uncle Sam at a base pay of \$21 per month. And these young men are going to be glad at the opportunity to go to the defense of their country in time of great peril; all they have to give is their lives while the magnesium boys would have to sacrifice salaries, gouged out of the government, which run into five figures.

The hope of democracy is that someone, in a position so to do, stops the war profiteering NOW. Otherwise, the people are going to stop it. Do you want to know how? The people, when fed up on such infamy and treason, will tear the profiteers, limb from limb—taking time out from the serious business of preserving the nation so to do.

When the officials in high places fail to do their duty, the people—who gave them the authority to do their duty—take it away from them and proceed to do the thing for which the officers in high places were originally selected.

What this country needs is a few beheadings of the four traitors who seize upon this time of great peril to gouge the government and all who have to do business with them. Any man or group of men who exact great profit in war time are guilty of treason, and ought to be lined against a wall and the terms of their natural lives terminated by a bullet in their cowardly gullets.

Mr. Government, the people in Inglewood are bitter about these stories of high crime, profiteering and treason. Multiply their bitterness by ten times ten thousand and you have an idea what's going to happen to these war profiteers if you do not do something legally about it. The people in this valley are ready and willing to fight to the last ounce of energy at their command, sacrificing their very lives if need be, to overcome the common enemy—but they're not going to stand for profiteering. And if you don't do something about it, Mr. Government, the people will. And God help the profiteers if ever the wrath of the people of this country gets out of bounds.

The seven hundred young Americans, who were reported only yesterday to have gone down on the Langley in Pacific waters, didn't make the supreme sacrifice so that War profiteers in America could pay stenographers salaries of \$40,000, or so that magnesium companies could pay executives salaries in five figures and still reap a profit of 4,280 per cent; they didn't die like rats in a trap so that a New Jersey oil company could sell this country down the river to Nazis and Fascists with the dollar sign the only motive. They died to preserve democracy—and those who survive them intend to preserve democracy even if the preservation of it means a few public executions of war profiteers and those guilty of high treason against the people of this great country.

## Prober Charges Firm Will Clear 4,280 Pct.

Washington, April 3 (AP)—A Senate group, after hearing a charge that Basic Magnesium, Inc., of Cleveland, for which the Defense Plant Corporation is financing a \$63,000,000 magnesite refining plant, "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," today was reported near agreement on a formula to limit war profits.

At the request of Senator Bunker (D., Nev.), who made the charge, a subcommittee of the special Senate committee which is investigating the national defense program conducted hearings at Las Vegas, Nev., 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."

### Reads Salary List.

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 forty officials whose salaries ranged from \$36,000 a year to \$3,900.

"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," said Bunker.

"It should be remembered that the salaries of these officials are being paid out of the taxpayers' money advanced to Basic Magnesium, Inc., of Cleveland, Ohio, operating in Nevada, by the Defense Plant Corporation.

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

Chairman McKellar (D., Tenn.) of the Senate appropriations subcommittee considering the \$18,300,000,000 supplemental War Department appropriation already passed by the House told reporters that a profit limit formula would be ready, as a part of the bill, for Senate action Monday.

### Permits Renegotiation.

It would replace a flat 6 per cent profit limitation approved by the House but opposed by Chairman Donald Nelson of the War Production Board on the grounds it was too rigid.

McKellar said that the substitute would grant authority to the secretary of war, secretary of navy or chairman of the Maritime Commission to renegotiate any war contract when they suspected unreasonable profits or extortionate costs.

Las Vegas Review Journal  
April 4, 1942

## Eells Remains Silent On Charges Against BMI

### Thorough Inquiry In Firms Dealing With U. S. Nears

RENO, Apr. 4 (UPI)—Howard P. Eells Jr., president of Basic Magnesium, Inc., whose company has been the subject of official Senate subcommittee reports, had "no statement to make" on the story released from Washington.

"I'll let the people I'm working for do the talking," the head of the \$63,000,000 magnesite metal plant now being constructed near Las Vegas said as he prepared to board a train for Cleveland, Ohio.

### Probe Soon

Eells intimated that a complete and thorough investigation of his company's dealings with the federal government would be made and that until such time as all testimony had been taken, there was nothing to talk about.

The Cleveland industrialist, who for the past six years has been engaged in sponsoring the commercial development of magnesite ore near Luning and who has carried out an extensive exploratory program with magnesite deposits in northwestern Nevada, expressed complete satisfaction with the progress which has been made both at Las Vegas and at Gabbs, northwest of Luning, where a magnesite concentration plant is nearing completion.

### Unit Ready

"We expect to be in limited

production by June 15," he said. "The first units of the concentrating plant will be in readiness by that time, and the initial unit of the refining plant at Las Vegas will be ready to handle magnesite oxide and carbonate to be shipped from the primary plant at Gabbs."

Eells stated that the contract for trucking the concentrated ore from the primary plant to the railroad at Luning had been negotiated with Wells, Incorporated, Reno trucking contractors, and had been forwarded for approval.

He reported that water from Lake Mead was turned into the company's reservoirs at the Las Vegas plant last Tuesday, coming by way of a pipe line and booster pumping station over a distance in excess of ten miles.

### To Get Power

"We will be getting electrical power within a few weeks from southern California sources by way of Bishop, California. The power line extension from Miller's west of Tonopah is nearing completion. Diamond drilling has proved large tonnages of high grade ore and the open pit mine is expected to be in operation during April, from which a substantial tonnage of magnesite oxide will be produced during June.

"The capacity of the electrolytic plant at Las Vegas will be rapidly increased as additional units are added and we hope to attain an ultimate production goal of 56,000 tons of pure magnesite metal a year when the entire ten units to be constructed are in operation."

From  
STAR  
Washington, D. C.  
APR 4 1942

## House, Senate Groups Study Evidence on War Profiteering

### Contractors Charged With Wasting Millions In Defense Projects

Congressional committees studied the records today of two cases of alleged war profiteering or wasteful spending in the Government financing of defense projects.

Charges made earlier before a special Senate investigating committee were read on the Senate floor yesterday that Basic Magnesium, Inc., of Cleveland stands to make a profit of 4,280 per cent, or \$1,140,000, in one year on an investment of \$50,000.

The company is building a \$63,000,000 magnesite refining plant at Las Vegas, Nev., under financing by the Defense Plant Corp. Salaries of officers of the mushrooming company already have been established as high as \$36,000 yearly.

### House Told of Waste.

On the House side, a young investigator sent into Minden, La., to inspect construction at a \$27,000,000 Government shell-loading plant told a committee yesterday of finding evidence of "defective" construction, waste of labor, money and materials, and of payment of excessive sums for equipment rental.

The witness, Gordon K. Miller, testified for two hours before a special House Military Affairs subcommittee describing what he called practices of the Silas Mason Construction Co. of New York City which, he said, did not meet accepted standards.

The hearing recessed until Tuesday after Mr. Miller testified that the contractors paid and charged to the Government rental totaling \$9,361.05 on a 25-ton used auto-car truck to Mrs. Amanda Coors Elliott of Brooklyn, who, he testified, was the wife of A. J. Cote, a former superintendent of transportation for the contractor. Mr. Miller testified Mr. Cote had bought the truck in 1939 for \$4,500.

### Investigation Asked.

Chairman Thompson instructed committee counsel to turn this development over to Lt. Gen. Brehon Somervell, chief of the War Department's Supply Service, with a suggestion that further rental payments be stopped and an effort be made to recover excess payments made.

"Also ask the Department of Justice to investigate this matter to see if there is a ground for criminal action," he said.

Earlier, Mr. Miller said an investigation made by W. M. Perkins, a civilian inspector for Army engineers, brought criticism that some of the buildings were unsafe.

He quoted another engineer as saying it was "apparent that laxity in design, for wind loads particularly, is general throughout the plant."

Mr. Miller testified there was "definite grave danger" of an explosion within a smokeless-black powder building from "improper conduction for static electricity."

UNION-STAR  
Schenectady, N. Y.  
APR 4 1942

## MERRY-GO-ROUNDER ENTERS REBUTTAL

Washington, D. C.,  
April 2, 1942.

Editor, "Union-Star":

Jesse Jones' statement that the President did not inform him he would have to relinquish his control over loans to small business is patently disproved by the fact that President Roosevelt last week issued the order stripping Jones of this authority. The announcement was publicly made at the White House.

Regarding the exchange of words between Jones and Sidney Weinberg, this information came from an official who participated in the conference. My informant holds an important position in the war agencies and I know him from long experience to be a man of complete reliability and integrity with no axe to grind. The Merry-Go-Round has at no time made any statement with the purpose of injuring Mr. Jones. We are interested solely in reporting the facts.

It is not our fault if the facts in handling the rubber situation reflect upon Mr. Jones' good judgment. Everything we printed exclusively about his handling of this situation has been confirmed by officials and Congressional committees. As recently as May, 1941, Mr. Jones publicly reported that "We have rubber enough to run us at least one and one-half

years if we were cut off tomorrow from a supply of natural rubber." This is no innuendo. It is a plain statement of fact typical of the column.

In a formal report today, the Senate Committee Investigating the War Program described an agreement between Jesse Jones' Defense Plant Corporation and Basic Magnesium, Inc., a private firm, as "one of the most flagrant attempts at war profiteering" to come to its notice. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 on a total investment of "not over \$50,000."

ROBERT S. ALLEN.

From  
TIMES-HERALD  
Port Huron, Mich.

APR 4 1942

## Senate Will Probe Government Loan To Mining Firm

Washington, April 4—INS—The special senate defense committee today announced that an investigation will be made into a \$70,000,000 government loan to a Nevada Mining company and at the same time termed the transaction "one of the most flagrant of war profiteering attempts."

The loan, according to the committee, was made by the Defense Plant Corp., to Basic Magnesium Inc., of Nevada for war production of magnesium. Committee members said the loan, made last year, was granted without collateral.

According to a report by H. G. Robinson, investigator for the committee, under the contract with Basic Magnesium, the government is obligated to make these payments to the Nevada firm:

1. \$280,000 a year in royalties on an investment of \$50,000 and a patent the mining corporation does not own; if the firm is not permitted to operate the plant, the royalties are to be doubled;
2. \$560,000 a year over a period of 30 years for operation of the plant;
3. A \$300,000 fee plus cost for construction and engineering services in which the mining firm, it was said, has had no experience, and
4. \$1,000,000 if the contract is dissolved by the government.

However, if B. M. I. decides to break the contract, repayment to the government shall be determined by arbitration.

From  
OBSERVER  
Charlotte, N. C.  
APR 4 1942

## SENATE PLANS PROFITS LIMIT

### Prepare to Set Restrictions With Sliding Scale—Profiteering Charged.

WASHINGTON, April 3—(P)—A sliding scale system of limiting war profits—ranging from a ceiling of 10 per cent on small contracts down to two per cent on the largest—was reported tonight to have tentative approval of a Senate appropriations subcommittee.

Senator Thomas, Democrat of Oklahoma, author of the proposal, said it was "approved in principle" as the Senate subcommittee increased a pending War department appropriation measure from \$18,300,000,000, approved by the House, to more than \$19,000,000,000.

But Senator McKellar, Democrat of Tennessee, chairman of the subcommittee handling the big appropriation bill and profit limits rider, told reporters that the entire subject "is up in the air" until a full committee session tomorrow.

Earlier McKellar had indicated that the group would accept a flexible profit limitation provision giving the secretary of war, secretary of navy, or chairman of the Maritime Commission authority to renegotiate any contract believed to involve excessive costs or unreasonable profits, without any specific percentage limit.

Thomas said this power would be included in the new profit limit provision along with this graduated scale: A 10 per cent profit limit on contracts up to \$100,000; 8 per cent from \$100,000 to \$500,000; 6 per cent from \$500,000 to \$1,000,000; 5 per cent from \$1,000,000 to \$5,000,000; 4 per cent from \$5,000,000 to \$20,000,000; 3 per cent from \$20,000,000 to \$50,000,000; and 2 per cent on amounts above \$50,000,000.

Officials would be authorized to withhold 20 per cent of payment due on war contracts until a certificate was filed showing that contractors had complied with the limitation, Thomas said.

"Contracts could be re-negotiated upwards as well as down," he said. "If a bidder showed that he had honestly lost money, then he could be paid up to actual costs, or possibly even a profit. We will have to work out a lot of these details."

Any profit limitation approved by the full Senate committee would replace a flat 6 per cent limitation placed in the bill by the House but opposed by Chairman Donald Nelson of the War Production Board on the grounds it was too rigid.

TELLS OF PROFITS.  
The Senate during the day heard from Senator Bunker, Democrat of Nevada, an account of what he called an "amazing scandal of war profiteering." He declared that Basic Magnesium, Inc., of Cleveland, Ohio, "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 Senator said that the government's Defense Plants corporation was financing a \$63,000,000 magnesite refining plant at Las Vegas, Nev., for the Cleveland firm.

Reading a list of 40 corporation officials receiving from \$36,000 to \$3,900 a year, Bunker said "it should be remembered that the salaries of these officials are being paid out of the taxpayers' money advanced to Basic Magnesium, Inc., of Cleveland, Ohio, operating in Nevada, by the Defense Plant corporation."

The Senator said he had hesitated to publicize this salary list because of possible results upon men in the armed services receiving \$21 monthly and citizens putting small savings into war bonds and stamps.

He added that he decided to do it because he believed the public and the Senate were entitled to know "how the taxpayers' money is being spent by Washington department officials."

From  
Wilmington, Del.  
APR 4 1942

## SLIDING-SCALE TOP ON PROFITS BACKED

### Senate Unit's Tentative Approval Reported For 2-to-10 Per Cent Ceiling

WASHINGTON, April 3 (P)—A sliding-scale system of limiting war profits—ranging from a ceiling of 10 per cent on small contracts down to 2 per cent on the largest—was reported tonight to have tentative approval of a Senate appropriations subcommittee.

Senator Elmer Thomas (D-Okla.), author of the proposal, said it was "approved in principle" as the Senate subcommittee increased a pending War Department appropriation measure from \$18,300,000,000, approved by the House, to more than \$19,000,000,000.

But Senator Kenneth McKellar (D-Tenn.), chairman of the subcommittee handling the big appropriation bill and profit limits rider, told

reporters that the entire subject "is up in the air" until a full committee session tomorrow.

Earlier McKellar had indicated that the group would accept a flexible profit limitation provision giving the secretary of war, secretary of navy, or chairman of the Maritime Commission authority to re-negotiate any contract believed to involve excessive costs or unreasonable profits, without any specific percentage limit.

Thomas said this power would be included in the new profit limit provision along with this graduated scale: A 10 per cent profit limit on contracts up to \$100,000; 8 per cent from \$100,000 to \$500,000; 6 per cent from \$500,000 to \$1,000,000; 5 per cent from \$1,000,000 to \$5,000,000; 4 per cent from \$5,000,000 to \$20,000,000; 3 per cent from \$20,000,000 to \$50,000,000; and 2 per cent on amounts above \$50,000,000.

Officials would be authorized to withhold 20 per cent of payment due on war contracts until a certificate was filed showing that contractors had complied with the limitations, Thomas said.

Might Make Up for Losses.  
"Contracts could be re-negotiated upwards as well as down," he said. "If a bidder showed that he had honestly lost money, then he could be paid up to actual costs, or possibly even a profit. We will have to work out a lot of these details."

Any profit limitation approved by the full Senate committee would replace a flat six per cent limitation placed in the bill by the House but opposed by Chairman Donald Nelson of the War Production Board on the grounds it is too rigid.

The Senate during the day heard from Senator Berkeley Bunker (D-Nev.) an account of what he called an "amazing scandal of war profiteering." He declared that Basic Magnesium, Inc., of Cleveland, Ohio, "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."

Financed by U. S.  
The senator said that the government's Defense Plant Corporation is financing a \$63,000,000 magnesite refining plant at Las Vegas, Nev., for the Cleveland firm.

Reading a list of 40 corporation officials receiving from \$36,000 to \$3,900 a year, Bunker said "it should be remembered that the salaries of these officials are being paid out of the taxpayers' money advanced to Basic Magnesium, Inc., of Cleveland, Ohio, operating in Nevada, by the Defense Plant Corporation."

The senator said he had hesitated to publicize this salary list because of possible results upon men in the armed services receiving \$21 monthly and citizens putting small savings into war bonds and stamps.

He added that he decided to do it because he believed the public and the Senate were entitled to know "how the taxpayers' money is being spent by Washington department officials."

## The Truman Report

There are several rather curious things about the report given the senate yesterday as it concerns the light metal situation on the west coast.

We are importantly concerned here, because of the possible effect on the huge magnesium industry now building in the valley, which is the bell-weather of long-anticipated development in this area.

In considering anything connected with the magnesium plant, it should always be remembered that it is the first real threat to complete domination of the light metal industry by Aluminum Corporation of America. And such monopolies do not give up their strangle-hold without a fight.

Testimony at the hearing here was to the effect that Alcoa was successful in blocking construction of a similar plant in Canada, using the proven British process, and that this opened the door for the American unit now building.

There are powerful forces which would be very pleased if the Nevada magnesium plant never went into production. These forces are represented in the field of industry and the field of politics. Despite the fact that unity of purpose should exist in so critical a period as this, there is jockeying for position by industries and by states and no matter how natural this may be, it is a factor to be reckoned with.

The Truman committee report handed the senate yesterday, makes much of the return Basic Magnesium, Inc., is to receive under its contract, for construction and operation of the plant: \$300,000 for designing and supervising construction, and at maximum production, \$560,000 a year for operation and \$230,000 a year for furnishing the raw material.

To the layman that seems like a sizeable amount. The Truman committee calls it "one of the most flagrant attempts at war profiteering to come to its attention." Defense Plants Corporation and the war department evidently took a different view, for, according to testimony at the hearing here, both governmental agencies participated in the negotiation of the contract, and approved the system of payment.

The contract was signed August 13, 1941—four months before Pearl Harbor. Things have changed a lot since then. We were thinking then of profits and justifiable return on investment, raw materials, processes and the like. Now we're thinking in terms of everybody pitching in and doing his part without thought of profit—with thought ONLY of each individual or corporation contributing what they may to the nation's war effort in a moment of extreme peril. What was perfectly normal and fair last August may be clear out of line now.

If Basic Magnesium's contract IS out of line, the blame is at least equally on DPC and the war department which undoubtedly had as much to do with setting the figure as Basic. The fact that the committee apparently places entire responsibility on the company, is not fair, and arouses suspicion that there may be more behind the report than appears on the surface.

We wouldn't attempt to justify the payments stipulated under the contracts. Neither would we condemn them. We have no facts at hand at the moment which would provide a basis for comparison. If they are exorbitant, in view of developments since the contract was signed, they can undoubtedly be changed by mutual agreement.

The committee made much of the fact that Basic is to receive a \$300,000 construction fee and that "more than \$1,000,000 is to be paid for architectural and engineering services to be performed by others." As a matter of fact, the \$1,000,000 also includes the fee to the construction company building the plant, and to other concerns for building water lines, transmission lines, etc. Add the two together, and you have \$1,300,000 for these services and you have less than two per cent of the total cost, while on most projects of this magnitude, it runs four or four and a half per cent.

The committee also points out that the Las Vegas plant is "only nine per cent complete" as far as metal producing units are concerned. This is based on an estimate made in the testimony here as to the average stage of completion of all ten units. It was explained that one is more than one third complete, while the last one was just getting under way.

The wording of the report apparently seeks to give the impression that the entire plant is only nine per cent complete, and that's a severe distortion of the actual facts. Testimony was that construction forces are concentrating on getting the first unit finished and into production by August, and that this goal would be realized—that other units would be brought along within two weeks of each other—that construction on each was at the rate of two per cent per week, which, figured on a time basis, would bring the last unit into production in November.

Here again, it is difficult to understand why there seems so obvious an attempt to give the wrong impression—to interpret the evidence in the sense most damning to the project.

The matter of fees and profits is something for the government itself to work out. Every dollar spent and being spent on the project has to be approved by Defense Plants Corporation, and has been so approved. Basic can't spend a dime without such approval. Is the Truman committee after DPC?

In the same report that devoted so much space to condemnation of the local project, there was contained the recommendation that: "An offer by the Permanente Corporation to produce magnesium on a cost and depreciation basis should be accepted." That's a good offer so far as cost to the government is concerned. But will it produce vital magnesium?

This plant has been in actual operation for several months—testimony at the Truman hearing here, uncontradicted, was that the output is 60 pounds an hour—1440 pounds per 24 hour day—\$25,600 pounds a year. The Permanente process is as yet unproven—it has never produced magnesium on a commercial basis.

The process to be used here has been producing the metal for ten years in England. It IS proven. It is scheduled to net 112,000,000 pounds a year, almost TWO HUNDRED TIMES that now coming from Permanente.

The report also recommends construction of a magnesium plant at Spokane, Washington, using processes as yet unproven commercially. Washington is the home state of Senator Mon C. Wallgren, chairman of the sub-committee covering the light metals industry, which is responsible for the report of yesterday.

It is also worthy of note that in November of last year, Rolla E. Clapp, founder of the National Housing Research Staff, who spent some time here in behalf of a project to construct a new town of 3,000 homes adjoining Las Vegas to take care of magnesium plant workers, made the prediction that Basic Magnesium would never operate the local plant and named the firm that would.

Clapp claimed to have appeared before the Truman committee, to have furnished them much data on various phases of the local operation, and to have knowledge as to what the Truman committee proposed.

It is significant that the report yesterday failed to make any recommendation at all as to what should be done here as a result of the committee findings. What's in the background, anyway? We confess bewilderment.

## The Truman Committees Charges

(Reno Evening Gazette)

Serious charges have been made against the Defense Plant corporation and Basic Magnesium, Inc., on the basis of an incomplete investigation by a senate subcommittee of the magnesium development project near Las Vegas.

The Defense Plant corporation is a government appendage created by the Reconstruction Finance corporation with broad powers to conserve and stimulate the production of strategic and critical materials essential to the war program.

Basic Magnesium, Inc., a subsidiary of the Cleveland, Ohio, corporation which owns the large deposits of magnesite near Luning, has a contract with the government providing for assistance in construction of the \$63,000,000 plant near Las Vegas and for operation of the plant after its completion.

The charges made yesterday by the senate sub-committee are largely concerned with the terms of the contract between the government corporation, Defense Plant corporation, and Basic Magnesium, Inc., for construction, engineering and architectural services and for operation of the plant, as well as the royalties that would accrue to BMI under the ore lease, "appear to the subcommittee as one of the most flagrant attempts at war profiteering to come to its notice." The senate group also charges that terms of the contract which provide for a payment of a million dollars to BMI and doubling of the ore royalties in case of cancellation of the lease because of poor performance "seem to put a premium on mismanagement."

Senator Berkeley L. Bunker of Nevada, who has been at odds for some time with Howard P. Eells, Jr., president of Basic Magnesium, and who asked for the senate investigation, has announced that senate committee hearings on the matter will be continued in Washington. Pending full revelation of the testimony and completion of the hearings, judgment must be withheld on the legitimacy of the committee's charges.

Although the Truman committee's record in previous probes is good, this Nevada project represents a pioneering attempt in a field that is vastly more intricate than any the senate group has surveyed. The injection of politics and commercial rivalries into the investigation also tends to obscure the picture and to warn against drawing any premature conclusions.

Nevadans, of course, have a tremendous interest in the successful operation of this \$63,000,000 magnesium development project. The largest industrial development ever undertaken in the state, it promises to provide increased employment possibilities and to swell the state's population.

The project has progressed to the point where its ultimate completion is assured. The interest of Nevadans in this investigation, then, is identical to the interests of citizens and taxpayers throughout the country. As taxpayers, all have a stake in the construction and operation of this project.

If the Defense Plant corporation has executed a contract which, as the committee charges, would permit profiteering, the contract must be adjusted. If Basic Magnesium is guilty of poor management of this vital defense industry, it should be relieved of its contract or accept a downward adjustment of its fees. Decision on the proper procedure for all parties concerned must await the evidence produced in a complete inquiry.

# Truman Plans Food Inquiry

Outstanding Senate  
Group Likely  
to Hold Early Hearings

BY LORANIA K. FRANCIS  
Times Staff Correspondent

WASHINGTON, Dec. 12—Intensive investigation of the national food problem is being planned by the Truman committee for early next year, it was disclosed today, in the hopes of assuring an even flow of farm products to our armed forces abroad without too much discomfort to the civilian home front.

The special Senate committee, headed by Senator Truman (D.) Mo., has been quietly working on the subject for "some months," it was revealed, and hearings probably will be opened soon after the 78th Congress convenes in January.

## FIFTH CATEGORY

Food prices, labor, farm machinery, military needs and a host of other problems pertaining to the critical subject of wartime food distribution will be taken up by the Senate group in what promises to be one of the most exhaustive hearings in its 18-month existence.

The food investigation will add a fifth "general category" to the committee's four-point program. The four broad aims so far covered by the Truman investigations have been: first, solution of the problem of increasing the production of basic raw materials for the war effort; second, maximum industrial production; third, resolution of the manpower problem, and, fourth, baring the truth about rationing. The food situation is the "coming big subject," according to Truman.

## 'BEST SELLER'

The committee, which was appointed in March, 1941, is certain of continuance when the new Congress meets in January. Its membership of 10 Senators soon will have established a record for hard work and industri-

# Truman Food Inquiry Set

Senate Committee  
Plans Hearings  
on Vital Problem

Continued From First Page

ousness approaching that of the T.N.E.C. (Temporary National Economic Committee)—the committee whose investigation of United States industries and finance continued daily for two years.

The printed record of the T.N.E.C. investigations comprises 31 parts and 43 monographs and has brought in \$74,556 in sales at the Government Printing Office, where it is still the "best seller," although out of existence for nearly two years.

Members of the Truman committee have made several trips to the West Coast to conduct hearings. Among the subjects they have examined in Washington are Army contracts, ordnance plants, rubber, aluminum, magnesium, defense housing, labor, small business (utilization of existing facilities), steel, the aircraft industry and shipbuilding. They are currently seeking the facts in the national confusion arising from gasoline and fuel-oil rationing.

## MONEY SAVED

Much of the taxpayers' money has been saved by the ardent delving of the Senate group into war contracts and other problems involving huge sums of money. Although it has never claimed the credit, it was the Truman committee which saved the government several hundred thousand dollars through its disapproval of the price asked by Basic Magnesium, Inc., at Las Vegas when the plant was sold to the Anaconda Copper Mining Co. last October.

The Truman committee will get out an "overall interim report" in mid-January, containing much interesting material on the progress of the war effort. Among other subjects, the report will contain a complete picture of the magnesium situation on which the committee intends to reopen hearings early in the year.

## TRUMAN COMMITTEE FIGHT

A hot fight is shaping up in the senate over continuation of the Truman committee.

Friends of Jesse Jones, WPB boss Donald Nelson and others who have been criticized by the committee have quietly been lining up support in the senate to force a termination of the Truman investigation after the next session of congress convenes.

Enemies of the committee thought they won a great victory when the senate voted, two days before adjournment, to abolish all of its investigating committees on January 31, 1943.

However, far-sighted Senator Scott Lucas of Illinois, chairman of the senate audit and control committee, who handled this legislation, agreed privately with Senator Harry S. Truman of Missouri that his committee will get more funds.

Furthermore, one of the first things the Truman probers will examine when the next congress convenes will be the administration and necessity of nation-wide gasoline rationing.

## MORE ABOUT BASIC MAGNESIUM

Since the beginning of attacks on Basic Magnesium, Inc., the atmosphere, at first a little hazy because of various and nebulous charges against "America's No. 1 Defense Project," has been gradually but surely clearing.

As an example of the conclusions arrived at by men capable of closely and impartially analyzing a complicated situation we call attention to an editorial in The Los Angeles Times of Saturday, April 11, headed "BASIC MAGNESIUM AND SENATOR BUNKER."

"If the statements of Secretary of Commerce Jesse Jones, who heads the government lending agencies, are accurate—and few will doubt Jones' word—Senator Bunker of Nevada stands convicted of being an irresponsible blabbermouth who should have the last syllable of his name elided.

"Cloaked in Senatorial immunity, Senator Bunker made sensational charges on the floor of Congress about the Basic Magnesium, Inc., plant near Las Vegas and Boulder City, asserting that under the setup the company stood to make 4280 per cent profit on a \$50,000 investment. Bunker intimated that "high government officials" had been corrupt, though without naming them.

"Since Jones is the government official responsible, this part of the charge reflected on him.

"Jones declares in answer that the company's investment is not a mere \$50,000, but many millions; that the construction fees will aggregate less than 2 per cent of the cost of the plant; that royalty for ores will not exceed 1/4 cent per pound for the magnesium produced, and that the fee for operation will not exceed 1/2 cent per pound, or approximately 2 per cent.

"Bunker's charge that a British company, which he said is concerned in the patent rights, is in reality controlled by German interests, appears absurd on its face. The British government is distinctly not permitting anything of that sort; any German interest in British corporations has long since been taken over.

"The Constitution provides that for what members of Congress say upon the floor of either house they 'shall not be questioned in any other place.' This generally useful and salutary provision seems to have been gravely abused by Senator Bunker. The Senate can and should call him to account."

## 'PARTLY FACTUAL'

One of our most esteemed contemporaries, discussing the charges made by Senator Bunker and the Truman committee against Basic Magnesium, Inc., declared in defense of the committee, such charges to be "partly factual."

It is fair to assume that if charges are "partly factual," they are partly based upon things which are not facts. It would be interesting to have some discerning mind point out which part of those charges are factual and which are false. However, we cannot avoid the conclusion that when charges are admittedly partly false, discredit is cast on all.

If we may believe Secretary of Commerce Jesse Jones, admittedly one of the biggest, brainiest and most dependable of all the administration officials at Washington, the "partly factual" portion of the Truman committee charges has dwindled to microscopic proportions.

## THE DAILY WASHINGTON MERRY-GO-ROUND

By DREW PEARSON and ROBERT S. ALLEN

Reports to senate will demand elimination of dollar-a-year men; Truman finds many exploited positions to help their companies; some, "serving U. S. for nothing," got salary boosts from firms; war department will reinstate Lindbergh as colonel in air corps.

WASHINGTON—The next report of Senator Harry S. Truman's war contracts investigating committee will be the hottest yet.

Now being prepared by the Missouri senator and his able chief counsel, Hugh A. Fulton, the report will give OPM a bare-knuckled going-over for failing more effectively to utilize the nation's industrial system for war production.

Truman will flatly demand the elimination of all Dollar-a-Year and "WOC" (without compensation) men as the first step in a top-to-bottom cleanup of the OPM, which he will recommend should be undertaken immediately.

In blasting the Dollar-a-Yearers, the report will charge that many of them, under the pretense of "giving" their services to the government, have in fact exploited their official positions to get juicy contracts for their corporations.

Also, unless a change is made in the Truman-Fulton draft, the report will declare bluntly that many of these Dollar-a-Year men have been undercover lobbyists for their firms.

Equally sensational will be the accusation that a number of them have received substantial increases in the salaries they have continued to draw from their companies while working for the government "for nothing."

Note: OPM now has 246 Dollar-a-Year and "WOC" men on its rolls. It costs the FBI \$250 per man to investigate the background of these officials.

### How They Do It

The report will say that the probe has uncovered no technical violation of the regulation barring OPM officials from handling contracts in which former business associates are interested. However, the report will charge that some Dollar-a-Year men have helped their companies get big-profit contracts by surreptitious devices.

One such device is to give their firms advance tips on orders, a tremendous advantage to a bidder. Another is to advise their firms on "how to go about" getting a contract, who to see, the amount to bid, and so on.

Also, the Dollar-a-Year boys are in a position to know of impending shortages of certain materials and to help their companies out by giving them inside information on when and how to stock up.

Truman's report will strongly recommend that the government either pay Dollar-a-Year and "WOC" men regular salaries or get rid of them. As now written, the report declares:

"No man can serve two masters, his company and the government. Human nature being what it is, a Dollar-a-Year man cannot be expected to forget the interests of his company, especially while he is still on the payroll of that company."

### Wally's Lost Trip

It did not leak out at the time, but just a few days before Pearl Harbor the Duke and Duchess of Windsor were preparing to take a trip to Mexico on the "Southern Cross," famous yacht of Axel Wenner-Gren, mysterious Swedish industrialist.

Wenner-Gren, who had been entertaining the niece of the Mexican president on the yacht, actually started for Nassau to pick up the duke and his duchess when the war broke. But the duke changed his mind. He decided to stick to his job in Nassau.

### Colonel Lindbergh

The colonel's commission discarded last year by Charles Lindbergh while waging his bitter isolationist crusade will be reinstated by the war department—when his formal application has been received.

As this is written it has not yet reached the war department. The ex-hero signified his desire to regain his reserve commission in a personal letter to General "Hap" Arnold, chief of the air corps and an old friend. It was Arnold who gave out the news story that Lindbergh wanted to be restored to army rolls.

So far, the war department knows nothing about it officially. However, when Lindbergh's formal application is received it will be approved and he will be assigned to active duty. Approval will be routine, since under army procedure, reserve commissions are reinstated without delay if request is made within 12 months after resignation. After the lapse of a year, such applications are handled just as original requests. But it was only seven months ago that Lindbergh quit.

Note: Since the outbreak of war in the Pacific, stripping army pilots almost daily are performing feats of daring and skill flying bombers vast distances, that

SAN FRANCISCO, CAL. NEWS  
CIR. 99,230  
APRIL 2, 1942

# NEW DEFENSE PROFITS CHARGE

By United Press

WASHINGTON, April 2.—The Senate committee investigating the war program charged today that a lack of "over-all" planning by the armed services and the defunct Office of Production Management is responsible for the failure of West Coast airplane plants to operate at full capacity.

In a formal report to the Senate, based upon the study of a special subcommittee from March 9 to March 25, the group absolved labor and management from blame for not reaching full production.

It added, moreover, that output is "several times greater than it was a year ago" and is increasing monthly.

The committee said the present War Production Board has not a "single top notch aircraft production man" in its organization. It called for a special WPB airplane section headed by a "trained aircraft production executive drafted from industry."

### Magnesium Deal Hit

A number of subjects were covered in the report, including a lease agreement between the Defense Plant Corp. (a Federal agency) and a private firm for obtaining ore for a magnesium plant at Las Vegas, Nev. It described the agreement as "one of the most flagrant attempts at war profiteering to come to the committee's notice."

The plant will be operated by Basic Magnesium, Inc., a company that also will supply the ore from 600 acres of deposits. The company, the committee said, is asking a royalty of \$1 a ton on ore, which would mean an annual return of \$280,000 compared to a total investment "of not over \$50,000."

Basic Magnesium, Inc., is also to receive a fee for the operation of the plant, which at maximum production will equal \$560,000 a year over a possible period of 30 years, although it is not even sufficiently financially responsible to warrant the leasing of the property to it," the report said.

### Tremendous Fees

The defense plant corporation is paying "tremendous fees" to Basic Magnesium for what the committee described as "know-how"—technical knowledge—in connection with the construction of the Las Vegas plant, although Basic Magnesium "had little or no construction experience in the past," and although more than one million dollars is to be paid for architectural and engineering services to be performed by others.

"Should Defense Plant Corp., because of poor performance or any other reason, cancel BMI's contract to operate the Las Vegas plant, it would under that contract have to pay BMI one million dollars," the report said. "In addition, BMI's

royalties under the proposed one lease would be doubled to \$2 a ton or \$560,000 a year.

"The terms seem to put a premium on mismanagement and incompetency."

The report, signed by members of the subcommittee headed by Senator Mon C. Wallgren (D., Wash.) and by Committee Chairman Harry S. Truman (D., Mo.), contained the following conclusions and recommendations:

### AVIATION

Reports that workers are staging "slow-downs" seem to have little basis. Actually, the lack of full production can be traced to failure to co-ordinate the various plants and subcontractors who supply the assembly plants with their materials.

"These shortages in critical items have made it impossible to operate assembly lines at full capacity," the report said. "Rather than work trained crews at top speed until materials are exhausted and then lay men off for a few days with probable loss of morale and trained mechanics, the aircraft plants have simply refrained from turning on full pressure for peak production which was their wisest course."

"However, individual workmen, unaware of all the facts but knowing the plant was not operating at full capacity, have charged a deliberate 'slow-down' existed, and their stories have created public uneasiness."

### LIGHT METALS

An offer by the Permanente Corp., Los Altos, Cal., to produce magnesium on a cost-and-depreciation basis should be accepted. A magnesium production plant at Spokane should not be built entirely around the ferro-silicon process, but two units should be completed—one using this process and the other the Doerner process.

### SHIP BUILDING

"Although exact production figures cannot be published, the rate at which ships are being built in huge yards which were mud flats only a year ago is truly amazing, and provides an example of the best tradition in American industry."

The subcommittee said that shipbuilding labor should consider all proposals aimed at reducing costs.

### LABOR

"In view of the present widespread demands for modification of the 40-hour week, the subcommittee believes it worthwhile to report that only one of several score executives interviewed suggested that lengthening of the work week would increase production."

"It is perhaps significant that this suggestion came from an executive in the one plant visited where relations between employer and employees were not good or harmonious."

The subcommittee noted that employees in most of the plants were working 48 hours a week, and executives believed that lengthening of the work week would probably bring about demands for an increase in hourly pay rates.

### GUAYULE

"There appears to be no question but that rubber can be produced on

## Where Goes the Mining Industry?

Suppose a prospector located a group of claims in a gold district, put down a shaft, ran a couple of tunnels, and determined, after considerable work, that he had approximately 100,000 tons of ore which would run \$20 a ton.

Suppose he had expended, all told, in cash and labor, \$2,500 in developing the property.

Suppose also, a mining company wanted to buy the property, what would be its value?

Certainly no one in the mining west would suggest the figure of \$2,500. Certainly there would be no one to argue that because he had spent in actual cash, but \$2,500 in developing the mine, that's all it was worth.

And yet in figuring the profit Basic Magnesium, Inc., is supposed to make from operation of the Las Vegas plant, the Truman committee used as a basis, the amount of money the company had expended in testing and developing its magnetite claims near Luning, Nevada.

When it was charged that Basic would realize a profit in excess of 4,000 per cent, that percentage was figured on the estimated \$50,000 the company had actually expended in development work.

The mining industry of the west would certainly be in for a rather dismal future if the government or capital in general, were to adopt the formula laid down by the Truman committee for placing a value on mining properties, limiting the amount to the cash outlay for work done, and ignoring entirely the value of the ore contained therein.

