

INDEPENDENT OFFICES APPROPRIATION BILL, 1926

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

SIXTY-EIGHTH CONGRESS

SECOND SESSION

ON

H. R. 11505

A BILL MAKING APPROPRIATIONS FOR THE EXECUTIVE
OFFICE AND SUNDRY INDEPENDENT EXECUTIVE
BUREAUS, BOARDS, COMMISSIONS, AND
OFFICES FOR THE FISCAL YEAR
ENDING JUNE 30, 1926, AND
FOR OTHER PURPOSES

Printed for the use of the Committee on Appropriations



WASHINGTON
GOVERNMENT PRINTING OFFICE

1925

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS

FRANCIS E. WARREN, Wyoming, *Chairman*

REED SMOOT, Utah.

LEE S. OVERMAN, North Carolina.

WESLEY L. JONES, Washington.

CARTER GLASS, Virginia.

CHARLES CURTIS, Kansas.

EDWIN S. BROUSSARD, Louisiana.

FREDERICK HALE, Maine.

THOMAS F. BAYARD, Delaware.

KENNEDY F. REA, *Clerk*

INDEPENDENT OFFICES APPROPRIATION BILL, 1926

SATURDAY, FEBRUARY 7, 1925

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10 o'clock a. m., in the committee room, Capitol, Senator Francis E. Warren presiding.

Present: Senators Warren (chairman), Smoot, Jones of Washington, Hale Overman, Broussard, and Bayard.

The subcommittee thereupon proceeded to the consideration of the bill (H. R. 11505) making appropriations for the executive office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1926, and for other purposes.

UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION

STATEMENT OF REAR ADMIRAL LEIGH C. PALMER, U. S. N., PRESIDENT UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION

The CHAIRMAN. Admiral, you have before you the bill that passed the House. I presume you have read it in another form, but you will find the pages about the same. The committee would like to hear anything you have to communicate to them, not to repeat however, what you testified before the House Committee, because we have that testimony before us; but anything in addition we should like to hear from you.

LIMITATION OF SALARIES

Admiral PALMER. Yes, sir. I have only one item that I should like to bring up, Mr. Chairman. That is on page 29, from the third to the eighth lines. The bill says there:

No officer or employee of the United States Shipping Board or the United States Shipping Board Emergency Fleet Corporation shall be paid a salary or compensation at a rate per annum in excess of \$10,000 except the following: One at not to exceed \$25,000 and five at not to exceed \$18,000 each.

That is the way it stands now in the House bill. Last year we had a total of eight. I came down and agreed with the House subcommittee that we would have one at \$25,000 and six at \$18,000, so as to cover the important positions we have. However, last year it was reduced to the present figures which you find here.

Senator JONES of Washington. One at \$25,000 and five at not to exceed \$18,000?

Admiral PALMER. Yes, sir.

Senator SMOOT. That is existing law?

Admiral PALMER. That is existing law; yes, sir. What I should like to have is the same thing, except to have seven at \$18,000.

Senator SMOOT. You want an additional one at \$18,000?

Admiral PALMER. No, sir; I want two additions, sir.

The CHAIRMAN. You want seven instead of five?

Admiral PALMER. Yes, sir. I will tell you why. Last year I took on a man as general manager with the promise that he was to get the \$18,000. He had been with the Panama Steamship Co., and had a permanent position there, probably for life.

Senator JONES of Washington. Who was that?

Admiral PALMER. That was Admiral H. I. Cone, who formerly was the engineer in chief of the Navy under President Roosevelt, and who had been retired for a wound in his leg received during the war, on the other side, when his vessel was torpedoed.

Senator BAYARD. How old a man is he?

Admiral PALMER. He is a man 50 years of age.

Senator JONES of Washington. What was his salary with the Panama Steamship Co.?

Admiral PALMER. His actual salary with the Panama Steamship Co. was \$12,000, in a permanent position, and I knew of people who wanted to get him at a much higher salary. He also got at the rate of over \$20,000 a year with another company. At any rate, I got him in under the promise that he would get \$18,000, which was possible with the number of \$18,000 salaries then on the books. By the time I was able to get the matter through, the bill had passed without the sixth \$18,000 salary; so I had to go to him personally and ask if he would remain if I would make every endeavor to see if we could not get something through to enable him to receive \$18,000.

Senator SMOOT. What is he getting now?

Admiral PALMER. He is getting \$10,000.

Senator BAYARD. From your board?

Admiral PALMER. Yes, sir.

The CHAIRMAN. I suppose you know that it is pretty hard to maintain even what we have in this respect.

Admiral PALMER. I do understand that.

The CHAIRMAN. This is one of the contentious points. There is more contention about these salaries than almost any other item in the bill.

Admiral PALMER. Yes, sir.

Senator SMOOT. You have mentioned the one, Admiral H. I. Cone. Who is the other one?

Admiral PALMER. May I add just a word about Admiral Cone?

Senator SMOOT. Yes.

Admiral PALMER. Admiral Cone, in addition to all his other important duties as general manager, has been put in charge of the reduction of personnel. It is through his personal and aggressive efforts that we reduced \$700,000 in the salaries of personnel alone for the last 10 months of the calendar year 1924. In the month of January just completed he made another reduction of \$100,000 in

annual salaries, and, judging from the schedule that he has now, he will have that much per month for the next six months, at least. I speak of that as showing the kind of work that he is doing in reducing the expenses. This addition of two \$18,000 salaries, of course, does not add to our expenses. Our fund is the same, but it is giving proper pay to a very important position, the most important position we have down there and is placing the money where it is most deserved and where it is giving the best returns to the Government.

The other is a man in charge of operations. This comes up through the difficulties that arose a year ago in Europe in regard to the Fleet Corporation and the United States Lines, and it was found absolutely necessary to have a man to combine and handle the activities of both organizations in Europe.

Senator SMOOT. Who occupies the position now?

Admiral PALMER. We sent over Mr. Sheedy, from this office, who now occupies that position. He had been in charge of operation of the vessels here. He had a \$25,000 salary; but his salary, together with all other vice presidents was reduced by me from \$25,000 and \$20,000 to \$18,000, shortly after I took charge, as a first step toward economy. That was done without any action by Congress. That was before it came up in the bill.

Senator SMOOT. What is he drawing now?

Admiral PALMER. He is drawing \$18,000 now, the same salary that he drew here after I made the salary reductions.

Senator SMOOT. But you are asking for two additional salaries?

Admiral PALMER. Yes, sir. I want one in his place as head of the operating department and one as general manager. He has left and is on the other side.

Senator SMOOT. Whom do you intend to put in there?

Admiral PALMER. I actually have a man for that position now with the proviso that he is to come with me at what we can give him now until we can ask Congress for an appropriate salary for him.

Senator SMOOT. You are giving him \$10,000 now?

Admiral PALMER. Yes, sir; since that is just the limit that can be given to him.

Senator BAYARD. What was this gentleman whom you sent abroad last year getting?

Admiral PALMER. \$18,000.

Senator BAYARD. And he still gets the \$18,000 in this foreign office?

Admiral PALMER. Yes, sir; in the foreign office.

Senator SMOOT. Who is the man to whom you have reference?

Admiral PALMER. The new operating department head is Mr. Davidson. He was the marine manager for the United Fruit Co. for six years, and severed his connections some months ago.

The CHAIRMAN. As a matter of fact, you want this number of positions and this amount of money, and you want to arrange the personnel yourself from time to time?

Admiral PALMER. Yes, sir. I will say, Mr. Chairman, that it is possible that I can get a man for something less than \$18,000 if he happens to be unemployed at the time. It is possible that for a certain time a man would come with us, but he never would be willing to stay with us indefinitely if something permanent were offered him.

outside, unless in rare cases I could appeal to him on personal grounds. Those are two very vital positions.

Senator SMOOT. What was Mr. Davidson getting with the United Fruit Co.?

Admiral PALMER. I do not know exactly, sir; but he was getting far ahead of anything we could give him.

Senator JONES of Washington. Mr. Palmer, you have five \$18,000 salaries under the current law; and that takes care of this position, as I understand, for the current year?

Admiral PALMER. This position as general manager?

Senator JONES of Washington. Yes; over in Europe.

Admiral PALMER. It takes care of the position in Europe, but that leaves a vacancy in the big position here at home.

Senator JONES of Washington. Oh, you have not been taking care of this position here at home?

Admiral PALMER. No, sir. That position at home has been left open because I was not able to fill it with the right kind of man. I have been trying to get a man ever since I came in, but I could not get anyone. I could not give them any reasonable offer. They could get something outside, and they would not take this position. Due to that force of circumstances I divided up the work between my general manager and myself, and we have delved into a lot of things which we might not have gotten into before; but it is a thing that can not go on. We just can not carry the additional load. I have a man now brought in under this limited salary, that I have promised—

Senator BAYARD. He would be in the nature of domestic manager, as opposed to this foreign manager who was transferred over there?

Admiral PALMER. Yes, sir.

Senator BAYARD. And you want them to have the same salary, \$18,000. The foreign manager is simply transferred in title and the character of his work abroad, but he gets the same salary?

Admiral PALMER. The same salary.

Senator BAYARD. And you want to replace him by another man of \$18,000 ability?

Admiral PALMER. Yes, sir.

Senator JONES of Washington. Let me see if I understand this. If you do not get seven salaries of this kind, or if you just have five, then you will make your general manager here one of the five and reduce the man across the water, will you?

Admiral PALMER. No, sir. If I only have the five I will leave it just as it is now, because I do not think it would be fair to the people who have been getting \$18,000 to reduce one of them and put some one else in, and knock them around in the organization in that way.

Senator JONES of Washington. So you will continue to pay \$18,000 to the man who is now over in Europe?

Admiral PALMER. Yes, sir; since he has been with us a good while and has been getting that salary all along. If he should resign at some time, then I would make a change; but it would hurt the morale very much to cut one man's salary in favor of another.

Senator OVERMAN. Where are his headquarters in Europe?

Admiral PALMER. In London, sir. One of these officers drawing \$18,000 is the general counsel, the man in charge of both Fleet Corporation work and Shipping Board work.

Senator OVERMAN. Who is that?

Admiral PALMER. That is Judge Parker. Another one is Mr. Rossbottom, who is the manager of the United States Lines, our passenger ships across the Atlantic. Ordinarily, he would not be considered in this salary limitation any more than any other managing operator is; but it just happens that we are operating directly with those lines, and they have translated this as including him as one of the \$18,000 men. So what we have here is a traffic manager at \$18,000 and a financial vice president at \$18,000. Those are the only two \$18,000 men we have here in Washington except the general counsel, who goes with the Shipping Board and the Fleet Corporation. The manager of the United States Lines is at New York, and the foreign representative of the Shipping Board and Fleet Corporation in London. So actually, in our business organization here, we have the three positions of financial vice president and traffic vice president and general counsel filled at appropriate salaries, but we have not the proper salaries for the positions of general manager and manager of operations.

Senator OVERMAN. What does Judge Parker get?

Admiral PALMER. \$18,000, sir. He used to get \$25,000 up to last year.

The CHAIRMAN. You speak of the Shipping Board, and you speak of the Emergency Fleet Corporation. Both organizations are quartered in the same building, are they not?

Admiral PALMER. Yes, sir.

The CHAIRMAN. Are you working in harmony, or otherwise?

Admiral PALMER. Recently they have gotten up a new resolution, and I had a talk with the chairman yesterday, and he said he wanted to do all he could to help matters. My understanding was that the resolution was gotten up for the purpose of bridging the period until a law could be put through Congress absolutely separating the organizations, for our functions should not overlap in anyway. The Fleet Corporation is an operating company, and the Shipping Board is a semijudicial and regulatory body which would have to do with private American lines and Government lines equally, very much on the same order as the Interstate Commerce Commission.

Senator JONES of Washington. Are you aware of the fact that the Shipping Board has reported on the bill which I introduced to provide for that, taking an absolute and unqualified position against the divorcement of the Emergency Fleet Corporation from the Shipping Board?

Admiral PALMER. I understand so; and that was a very great surprise to me, as the chairman of the Shipping Board was also chairman of the President's committee which reported to the President a desire for the full separation of the two organizations. Furthermore, I saw the statement before the Appropriations Committee of the House; so that it was a very great surprise to me that that stand was taken. However, I have no record of the votes of the different members of the board.

The CHAIRMAN. You perhaps realize that the Congress, with all its other duties, has about all it can do to keep advised of you as you are running now. If there are going to be these differences we ought to have some pretty full explanation made as to what you are doing and what you are going to do, and not be changing from one thing

to another. So in making these appropriations we ought to know, I think, whether we are going to continue on the present basis for another year, or whether for some part of the year you propose to erect a separate institution of the Emergency Fleet Corporation.

Admiral PALMER. That could only be erected by action of Congress, and I am fully in accord with the President's idea that there should be a separation.

The CHAIRMAN. Is that apt, in your judgment, to lead to better service, or to more economical service, or to both?

Admiral PALMER. In my judgment, that would lead to very much better service and very much more economical service. We have been handling in the Fleet Corporation the reductions that have been brought about in the past year to the extent of a good many millions of dollars. Although the Fleet Corporation has worked down to an appropriation of \$14,000,000 less than last year, the gross business is about the same; the revenues are now within 5 per cent of what they were last year and the year before.

Senator BAYARD. Gross revenues, or net revenues?

Admiral PALMER. Gross revenues. The gross revenues are within 5 per cent of what they were last year and what they were the year before, although there has been a reduction of \$14,000,000 in the funds allotted us; and that has been due to better operations and economies in operations.

Senator JONES of Washington. What about freight rates? Have freight rates come up any?

Admiral PALMER. The freight rates have been just dawdling along about where they were. There have been some small increases and some set backs.

Senator OVERMAN. What is your gross revenue?

Admiral PALMER. The gross revenue now, based on the first six months, is approximately \$99,000,000.

Senator OVERMAN. And what is the net revenue?

Admiral PALMER. We have not any net revenue, sir. There is a net deficit.

The CHAIRMAN. You have taken some of the vessels off the regular routes. Have you abandoned any of the regular routes in the last year?

Admiral PALMER. No, sir; we have not abandoned any of the main trade routes. There are 18 main trade routes, and we do not propose to abandon any of the main trade routes. We will operate the proper number of vessels within those routes in the most flexible manner so as to make the best use of them we can, and that is where a large part of our reduction in expense has taken place now. That is the main reason why the Fleet Corporation is able to meet this reduction of \$14,000,000.

The CHAIRMAN. You have reduced the number of vessels, but you have increased their facilities for business by calling at different places?

Admiral PALMER. Yes, sir; that number has not been so largely reduced as is generally thought. Last year we had 338 vessels, on an average, and this year we are running on an average of 297.

Senator JONES of Washington. And you are doing practically the same business?

Admiral PALMER. Yes, sir; we are doing practically the same business; there is not 5 per cent difference.

The CHAIRMAN. In your new adjustment, under which you are doing practically the same business, are you making the same time, or are there some delays growing out of the fact that a vessel touches at more points? Is that injuring or liable to injure your business, either passenger or freight?

Admiral PALMER. Oh, no, sir; it is going to tend to consolidate our business and put us in position gradually to advance as trade improves.

Senator OVERMAN. Is most of your business coastwise trade?

Admiral PALMER. No, sir. We have cut out all of the coastwise trade. We have left that entirely to the private companies.

Senator BAYARD. What is the relative difference between the cost of operation of the immediate fiscal year we are working on and the preceding fiscal year? You say there is no net revenue, and I want to get an idea in my mind of the cost.

Admiral PALMER. The difference in the cost of operation?

Senator BAYARD. Yes; roughly speaking.

Admiral PALMER. Roughly speaking, \$14,000,000, the amount of the reduced appropriation.

Senator BAYARD. That would be the measure—\$14,000,000 less?

Admiral PALMER. Yes, sir.

Senator SMOOT. In other words, we would have had to appropriate \$14,000,000 more unless that reduction had been made?

Admiral PALMER. And in this proposal in the bill that is before you now, the appropriation will be still further reduced for next year.

Senator SMOOT. By how much?

Admiral PALMER. By \$8,000,000 additional. That would be \$6,000,000 in operations of the active fleet, and a reduction of \$2,000,000 in the liquidation and laid-up fleet expenses.

Senator JONES of Washington. Do you anticipate that you will reduce the number of ships that you are operating during the coming year?

Admiral PALMER. Only very few, sir, and we expect to make additional improvements in our service. There will be a small reduction in the coming year to meet this thing, and we will help offset that by the better time of turn around—that is, the better time of the round trip. It is just a question of the number of terminations. In the last fiscal year the number of terminations of the voyages—the measure of the vessel operation and largely of the business done—was 1274. In this fiscal year, judging from the first half of the year, which has been completed, we are working on a basis of about 1,254 terminations. That is, 30 terminations out of 1,274 spells the amount of the reduction; so it is a small percentage.

Senator OVERMAN. How much have you collected, by compromise, suit, or otherwise, on claims growing out of the war?

Admiral PALMER. Those are under the Shipping Board.

Senator OVERMAN. You had nothing to do with that?

Admiral PALMER. The war construction claims are all under the Shipping Board, sir.

Senator OVERMAN. You do not have anything to do with that?

Admiral PALMER. No, sir.

Senator JONES of Washington. If you get your personnel expenses reduced, of course any reduction you make in your personnel expenses leaves you that much more for operating expenses.

Admiral PALMER. Yes, sir.

Senator JONES of Washington. What is your policy with reference to the reduction of your personnel expenditures? What do you propose in the coming year?

Admiral PALMER. I propose to continue the drastic reduction of personnel which the Fleet Corporation initiated months ago, and in which we have been successful thus far. That is, there was \$700,000 reduction in salaries alone up to December 31 of last year, \$100,000 in the month of January of this year, and certainly at least \$100,000 per month, I can say, for six months anyway, the way it is running, and probably more. I am continuing that together with reductions in traveling expenses, reductions in telegrams and cables and office supplies, and in rents wherever we have them. Our fund for administrative overhead now, as applied to the active vessels of the fleet—that is, all the cargo and passenger vessels, tugs, and tankers, but not with reference to anything that has to do with liquidation or the laid-up fleet, for which there is a separate appropriation here—for the active fleet our total is running at \$5,600,000 per year, which includes all the salaries and rents and traveling expenses, etc.; and the total expenses for operating the fleet, as judged from the last six months, are \$128,000,000; so the overhead is approximately 4 per cent of the total operating expenses.

Senator JONES of Washington. About how much of this \$5,600,000 of expenses attributed to the fleet actually in operation is chargeable to expenses here in Washington?

Admiral PALMER. I should say \$2,500,000 of that is chargeable to expenses in Washington.

Senator JONES of Washington. That leaves a little over \$2,500,000 or about \$3,000,000 outside?

Admiral PALMER. Yes, sir.

Senator JONES of Washington. How is that covered outside? About how many different offices do you maintain outside of Washington City?

Admiral PALMER. In addition to inland freight offices we have offices at Boston, New York, Philadelphia, Baltimore, Norfolk, Charleston, Savannah, New Orleans, Galveston, San Francisco, Seattle, and Portland in this country.

Senator JONES of Washington. In general, what do those offices do?

Admiral PALMER. Those offices have personnel that has to do with the accounting and disbursing of Government funds through the managing operators whose vessels come into those ports. They also have a traffic man and his staff to coordinate the traffic efforts when there are several lines coming into the same port.

Senator SMOOT. Admiral, you only mentioned those in the United States. You have offices abroad, have you not?

Admiral PALMER. Oh, yes, sir; many others. I might mention those. We have a maintenance and repair section and an operating section which has to do with the operation of the vessels; and it is along these lines that we are gradually making a reduction in our own personnel, as the operators themselves get more proficient, and show that they can handle their repairs and their traffic and other

parts of their business with proper protection of the Government's interests.

Senator BAYARD. Do your repairs come within this fund of \$5,-600,000?

Admiral PALMER. No, sir; that is under a repair item.

Senator BAYARD. But the overhead of this department comes under that?

Admiral PALMER. Oh; yes, sir.

Senator BAYARD. But not the actual repairing?

Admiral PALMER. No, sir; not actual repairs. We are endeavoring to reduce this personnel as the managing operators improve their personnel. Heretofore it has not been possible to do that to the extent that we are doing it now because we have had too many operators, and we have not always had the best operators. What the Fleet Corporation has been doing during the last year has been to consolidate the services and reduce the number of operators and increase the efficiency as far as the Government end is concerned. I can look forward to the time when we will be reduced in our personnel to a figure just sufficient for general supervision and to handle the accounting and disbursing of funds that goes with Government accounting, and must continue as long as the Government is engaged in an international shipping business.

Senator JONES of Washington. Should not that be done largely with a force here in Washington City, instead of having it scattered all around the country?

Admiral PALMER. That will be done very largely. I have our general comptroller now making a trip around to pick off the people that he can get rid of at present in the accounting part.

Senator JONES of Washington. What you are trying to do, then, is to bring about, as quickly as you feel you possibly can for the good of the service, the concentration of this accounting and all those operations that can be carried on here in Washington City, so as to have them concentrated here?

Admiral PALMER. Yes, sir.

Senator JONES of Washington. In the interest of economy?

Admiral PALMER. Yes, sir.

Senator JONES of Washington. And you can assure the committee and Congress that that is going to be carried out just as expeditiously as you feel that it possibly can be done, and wisely done?

Admiral PALMER. That is absolutely correct, sir. We are going through these offices. We have reduced half a dozen of them 20 per cent already and are continuing the reductions, so that we will have them reduced 50 or 60 per cent, or even more than that, in a good many cases.

Senator SMOOT. You mean the offices outside of the District of Columbia?

Admiral PALMER. Yes, sir; and we are going to continue to reduce right here in the District of Columbia, too. We have more personnel now than we need, but that is included in our plan here, and is going ahead day after day, as is shown by the monthly reduction of \$100,000 in salaries.

We have other offices—inland freight offices in six or seven cities over the country. They cooperate with the shippers in the interior with a view of routing their goods to the line which best suits the

shippers in the interior, as compared with private solicitors who solicit simply for one particular line. Those are additional offices, and we pay the rent of those, and that all comes out of our overhead. In addition, we have offices in Manila, in Kobe, in Shanghai, in Buenos Aires, in Rio de Janeiro, and then in London and the various cities in Europe, with the personnel that is handling all that end of the work.

Senator BAYARD. They are soliciting for the return trip, then?

Admiral PALMER. That has been a comparatively small part of the work previously. They are concentrating now on soliciting for the return trip; but I was referring to those offices as being our general offices that had to do with the operation of the vessels, as well as with the traffic and with all the accounting and the legal end of it that is necessary abroad. They handle all the things. They are our representatives abroad. They are not alone for traffic, such as the inland offices are which I have just mentioned.

Senator JONES of Washington. What accounting duties, especially, do they have over there?

Admiral PALMER. The accounting duties come from a vessel coming into port and submitting the bills to be paid by the bank there. These are bills for stevedoring, for port charges, for handling lines, for tugs, lighterage, and various dues that have to be paid in foreign ports; and if they come over here direct to an accounting force, say in Washington, that is not familiar with the foreign port conditions, a good many of the accounts might have to be passed just on the face of them, without knowing whether the charges were correct or not. The accounting people abroad look over these accounts and say: "Well, that is manifestly out of line," and they would say right there: "We will not approve that account as it stands. We will return that for correction right in the port." Otherwise, we might have that account come all the way from Shanghai over here, and come to an accountant who was not familiar with the foreign practice, and who would not know whether the charge was proper or abnormal.

Senator JONES of Washington. Is the judgment of these people over there conclusive, or, after they have examined it, does not the matter have to come back here finally?

Admiral PALMER. It comes back here finally; but they can give the first-hand practical word on any of the accounts there, to show whether or not they are very much out of line.

Senator OVERMAN. They are paid over there, are they not?

Admiral PALMER. They are paid by us here. It comes out of our overhead.

Senator OVERMAN. It is paid here through the bank over there?

Admiral PALMER. Yes, sir. We handle the whole thing. The expense accounts that are brought in by the managing operators are paid by the bank over there, but paid by funds furnished by us here.

Senator SMOOT. Do they handle the accounting of all purchases at different ports?

Admiral PALMER. Yes, sir; they handle all the purchasing at different ports. The operators themselves handle most of that at foreign ports, because we endeavor to purchase as little as possible at foreign ports.

Senator SMOOT. I knew that; but you always have to purchase some.

Admiral PALMER. Yes, sir.

Senator JONES of Washington. I think it is very important, of course, that you should have these representatives of the Fleet Corporation to aid in getting cargoes, freight, and things like that; but it does seem to me that you ought to work as strenuously as you can, so far as the accounting offices in this country are concerned, to have them centered at one place, either here in Washington—that is the head office—or elsewhere, but centered in one place as soon as possible.

Admiral PALMER. Yes, sir; that is absolutely correct, and that is the line we are working on now, sir.

Senator OVERMAN. Admiral, I thought you were the head of the whole thing—the Shipping Board, the Fleet Corporation, and all. Have you divided up?

Admiral PALMER. No, sir; I am only head of the Fleet Corporation. The Shipping Board is more a semijudicial and regulatory body, like the Interstate Commerce Commission, which has to do not only with Government ships but with all private ships.

Senator OVERMAN. So that you are really—

Admiral PALMER. I am an operating man, sir.

The CHAIRMAN. Have you anything you wish to add to what you have testified as to this one point of lawyers and others? Is there anything further?

Admiral PALMER. No, sir.

Senator SMOOT. Admiral, Mr. Andrew Furuseth was in my office this morning, calling my attention to your testimony before the House committee, together with copies of certain correspondence that he has had; and included in the papers handed to me is a cancellation of all previous orders relating to unlicensed personnel. In that order, referring to deck and engine departments, it says that the employment shall be:

1. American citizens.
2. Natives of the Philippine Islands. (To be given preference in employment next to American citizens by reason of owing allegiance to the United States Government as guardian of the Philippine Islands—

And so forth. Mr. Furuseth claims that in your testimony before the House committee you admitted that you are employing Lascars instead of Filipinos, and that you are not following out the personnel recommendations according to the order. This matter no doubt will come up on the floor of the Senate, and he spoke to me in reference to an amendment to the bill dealing with the subject. I told him that such an amendment would not be inserted in the appropriation bill by the committee, because a point of order would lie against it, and that would send the whole bill back to the committee. I also told him that of course there is no question that if the amendment were offered on the floor of the Senate a point of order would be made against it. The question will be discussed, however, whether the point of order is made or not; and I should like to have you make some sort of a statement here, if you can, as to what there is in his contention, and whether or not you are employing Lascars, as he

claims. He quotes from your testimony before the House committee, on page 504 of the hearings, this statement:

Our plan now is to employ Americans. If we should go out and employ Lascars, as is done in some foreign countries, for firemen, etc., we could operate on very much less—

And so forth. I said, "That does not say that he is doing it"; but he said, "But he is doing it."

Admiral PALMER. I definitely intended to convey the idea that we were not doing it, and that that was one of the reasons why foreign countries could operate at less cost.

Senator SMOOT. That is the way I construed this statement, but Mr. Furuseth does not construe it in that light. Not only that, but he says he knows that that is what is being done, and that you are driving out American men and natives of the Philippines from the service, and employing Lascars.

Admiral PALMER. I will simply say that he is misinformed. I think Mr. Furuseth has a fund of information. He has been interested in this problem for many years, but he is just misinformed on that subject if he believes that we are employing Lascars to the prejudice of Americans. I could get you a statement as to how many Lascars are employed, probably. I do not know that there is one. My feeling now is that there is not one. They might pick up one from port to port; but as to the total number I will just roughly say that I do not believe there is one.

Senator SMOOT. Will you let the committee know? Just make a note of it, and let the chairman of the committee or myself know the facts.

Admiral PALMER. Yes, sir; I will do that.

The CHAIRMAN. In the meantime let us know also approximately how many Filipinos you have employed.

Admiral PALMER. Yes, sir; those numbers will be rather difficult to get, for this reason: We have no record of them at all.

The CHAIRMAN. That is true; I say "approximately."

Senator SMOOT. I do not care so much about the Filipinos. They are virtually a part of the Nation.

The CHAIRMAN. I suggest that simply to cover the very point that you raised.

Senator SMOOT. Yes.

Admiral PALMER. We will have to send to the managing operators to get this information about Lascars, if there are any.

Senator OVERMAN. Why can you not take the admiral's testimony, without sending telegrams? He says there are none, or probably only one or two.

Senator SMOOT. That is what I was going to suggest, if that is what he has to do.

Admiral PALMER. I will give you that in a letter by to-morrow, anyway.

Senator JONES of Washington. When you revise your remarks, you can put that in.

Admiral PALMER. Yes, sir. When I made that remark about the Lascars I did not know that there was even one. I meant that there might have been, but I did not know that there was one. I was just referring to foreign people being able to operate more cheaply because some do employ Lascars.

Senator SMOOT. Mr. Furuseth took that to mean that there was an evasion; that you did not want to come out and tell the committee just how many there were, so you evaded the question by saying, "If we should employ Lascars," etc.

Admiral PALMER. I would be glad if he would look into the facts; he would find that we are not employing Lascars, and if his records are correct they should have shown him the true position in this matter.

Senator JONES of Washington. I have no doubt but that his experience with operators has given him just ground for suspicion.

The CHAIRMAN. He suspects that we are not paying out enough money, that we are not appropriating enough.

Admiral PALMER. Senator Smoot, do you not think there is an impression in his mind that there are a great many Lascars employed?

Senator SMOOT. There is no doubt about it. He says so.

Admiral PALMER. Could we say that roughly he thinks there might be 25 per cent, from his feeling, if he makes such a point?

Senator SMOOT. He did not state any amount.

Admiral PALMER. Or 10 per cent?

Senator SMOOT. He led me to believe that there were a great many of them employed, taking the place of American citizens, and that it was violating the plan and the practice of maintaining our merchant marine by employing American citizens.

Admiral PALMER. That is without foundation in fact. I just have word from our operating department that they do not know of any Lascars being employed.

Senator JONES of Washington. Let me ask you a question on that point, too. Have you any actual information, based on experience, that would support Mr. Furuseth's contention that Americans and Filipinos can not work and associate together on board ship, and that the fact that Filipinos are employed prevents Americans from shipping as members of the crew?

Admiral PALMER. No, sir. We have information along just the other line. We asked a great many of our operators about the Filipinos some months ago, and there was the general feeling that the Filipinos are excellent men, that there are very few of them that get drunk, and that they are people that we can count on for doing their work, and they have been very successful on the ships they have been on. The reports in regard to American crews are good but there has been less drinking and carousing on shore, jumping ships, etc., among the Filipinos. There is one thing about it: The Filipinos probably go ashore with their own people a good deal. They are a very clean people.

Senator SMOOT. Yes; they are.

Admiral PALMER. They had them in the Army, and they had them in the Navy, on their transports, and you get the good reports from the Army and the Navy about the Filipinos. They had a lot of them in their services, and they are good people.

Senator JONES of Washington. I am glad to have that information.

The CHAIRMAN. They are proud to consider themselves as Americans in a way.

Admiral PALMER. Yes, sir. I personally know about them, because I have been on ships all around the world with them, and I personally know that they are excellent people; and in this list they

come next after American citizens, which seems quite a reasonable thing to do.

Senator JONES of Washington. I am glad to have that information, but I do not think you have answered the question that I asked. What I want to get at is, have you received information to show that white crews object to association with the Filipinos, or that Americans refuse to ship on crews because of the presence of Filipinos?

Admiral PALMER. A few operators have so reported, but the general concensus of opinion is that there is no objection.

Senator JONES of Washington. That is what I wanted to get at.

Admiral PALMER. No, sir; I only hear that from Mr. Furuseth. and Mr. Furuseth is here in Washington.

Senator JONES of Washington. Yes; I know. What information do you get from other sources regarding that?

Admiral PALMER. I get information from other sources that there is in general no objection on the part of our crews to mixing with Filipinos—no objection.

Senator JONES of Washington. Have you heard from any other source of American white men refusing to ship because of the presence of Filipinos on the ship?

Admiral PALMER. With the exceptions I mentioned, I have never heard of any such thing. The Army and Navy services seem to like them. Our sea service bureau reports only 14 on the west coast where the question was raised.

The CHAIRMAN. This is the first time I ever heard of anything even in the nature of a dropped remark to the effect that there was any difference anywhere.

Admiral PALMER. There is one definite thing. If you go into a Filipino's quarters on ship you will find them cleaner than the average American's quarters; they are good workers and it is a good thing to have them aboard, next after Americans.

Senator SMOOT. They are mighty clean people, I know.

Admiral, I received a letter to-day from Mr. Arledge, who is the special representative of the Middle West Foreign Trade Committee here in the District of Columbia. I will not read the whole letter but I call your attention to a part of it:

Constant reductions are being made in vessels on the various trade routes, there being 289 cargo vessels assigned to operators as of January 31, 1925, and unless the Fleet Corporation's personnel is reduced or action taken by the Congress to limit the amount to be expended for such personnel there will be further reductions in vessels on essential services. For every American vessel taken off now a foreign vessel will go on the berth.

There is no need of reading the balance of the letter. It consists of opinions expressed by Mr. Arledge himself. What I want to ask you is this: Has there not been as large a percentage of reduction in personnel as there has been in the number of cargo vessels taken off the routes?

Admiral PALMER. Yes, sir; and we are now reducing personnel at a much greater rate.

Senator SMOOT. Outside, I mean, of the office force, which is absolutely necessary, whether you have 289 routes or whether you have 310 routes. Is there the same percentage of reduction in the personnel of the office force as there has been in the travel?

Admiral PALMER. There is more, except for the accounting force.

Senator SMOOT. I eliminate that.

Admiral PALMER. Oh, I see. There has been a corresponding reduction in the personnel. For instance, in the last year it is perfectly evident that we have had \$700,000, plus \$100,000 this last month, total \$800,000, and you can see the difference in the number of vessels.

Senator SMOOT. I was going to say that your previous testimony bears that out, it seems to me, and shows even a greater percentage of reduction.

Admiral PALMER. Yes, sir. As I have said, we have roughly now a 4½ per cent overhead which is applied to the active fleet. I do not propose to continue that 4½ per cent overhead as we make further reductions. I propose to reduce that percentage, as well as reducing the total amount.

Senator JONES of Washington. There is one other statement in that letter which I should like to have you notice, and that is, he asserts there that where you have taken off some of these ships their places have been taken by foreign ships. Do you know of any case of that kind?

Admiral PALMER. I do not know what he refers to.

Senator JONES of Washington. My understanding is that he means that although you may have maintained almost the same number of services, where you have taken a ship off of a route a foreign ship has come in on the route.

Admiral PALMER. I can see the possibility of that, in this way: We had been losing \$25,000 average per voyage on every ship that the Government operated. Some of those ships would go out, say, with 4,000 tons of cargo, and they would come back with an enormous loss. There is no business in that at all. If they come back empty and go out half full, or sometimes they go out full but come back empty, no business can successfully run that way. I can see where a foreign tramp ship might come into a port and lift a particular cargo, and make a three-legged or a four-legged voyage as a tramp ship, and be able to make money at it in the end. We are confined to a liner service, however—that is, between ports on this side and ports abroad, right back and forth.

The CHAIRMAN. At given dates, as against a tramp having no regular dates?

Admiral PALMER. Yes, sir.

Senator JONES of Washington. You would not conclude that that is what he meant from the language of his letter. So, as I understand from you, you do not know of any such instance as that which he mentions there, where you have taken a ship off a route and a foreign ship has taken its place, going on regular service?

Admiral PALMER. Going on regular service—no, sir. Does he name any special case we could refer to?

Senator JONES of Washington. You do not know of any instance of that kind?

Admiral PALMER. No, sir; he has never written or given me any instance of that.

Senator OVERMAN. Admiral, did I understand you to say that we are operating on an average loss of \$25,000 per ship per voyage?

Admiral PALMER. We were last year. We have reduced that very largely, Senator, and we are continuing to reduce it. I do not know how far it can get down. There is a differential between our operations and foreign operations, due partly to the wage differential of our men. In many cases we pay 50 per cent higher than the foreign lines pay; and then, in every element of operation that takes into consideration labor costs, ours are always higher. Even in the building of ships they are higher; and there may continue to be a differential, certainly on some important routes, between our operations and foreign operations, which is a handicap to us. That does not apply to all routes, but it applies to some.

Senator BAYARD. You say you have made a better showing and are making a better showing on your cost per trip. Is that because you are getting a greater increase in your outgoing cargo or a greater increase in your incoming cargo, or what proportion? How would you apportion it?

Admiral PALMER. That is because we are improving somewhat in the incoming cargo. We are maintaining approximately the same gross revenue, but we are working more efficiently, and reducing the operating costs. There is where the improvements have taken place. They are not due to an increase in revenue, because we have not had that. The conditions have not been such as to give us an increased revenue.

Senator BAYARD. That is because of the greater efficiency of your so-called foreign agents who drum up trade for you?

Admiral PALMER. That is partly because of the increase in the foreign cargoes; yes.

Senator BAYARD. In the return cargoes?

Admiral PALMER. Yes, sir; but the biggest thing has been the reduction in operating costs, and in the fuel, and operating the vessel.

Senator SMOOT. Admiral, I want to read a proposed amendment suggested by Mr. Furuseth, and ask you, if the amendment were adopted, whether the ships of the Emergency Fleet Corporation could be operated. The amendment is as follows:

No part of the sums appropriated in this act shall be available for or used to pay the hire of any member of the crew signed on the crew list and who is employed on any of the ships of the United States Shipping Board, or the United States Shipping Board Emergency Fleet Corporation, when such member of the crew of such ship is ineligible to citizenship under the laws of the United States.

Admiral PALMER. If that were included in the law, we might have a ship tied up and it could not go out. We are in an international business and that would certainly hurt our merchant marine. We wish to get definitely to the point where we have a merchant marine that is manned wholly by Americans. That is the ideal thing. We are not there yet; and anything that would prevent us in an international business, from getting the men at the date of sailing to let the ship sail, would certainly cripple us very badly.

I am in thorough accord with the idea of having all Americans on all our ships. That is one thing that we in the Fleet Corporation and the Shipping Board have been pushing right from the start; but the practical situation is that they have not been able to get them.

Senator OVERMAN. The fact that you use all Americans accounts for your loss, does it?

Admiral PALMER. Only a small part of it, Senator. It accounts for part of our deficit, but only a very small part of it. The biggest loss has been in our general operating and use of fuel and stores, etc.

Senator JONES of Washington. Admiral, if we had an inflexible provision like that, would it not very likely often happen that a ship would be in a port ready to sail, and she could not get the American crew that is required under the law, and with that provision she could not sail at all?

Admiral PALMER. Exactly; she could not sail at all. It would just stop business.

Senator OVERMAN. To be sure; that is self-evident.

The CHAIRMAN. Have you anything further to bring to our attention, Admiral?

Admiral PALMER. No, Mr. Chairman.

STATEMENT OF HENRY M. WARD, SPECIAL COUNSEL, UNITED STATES SHIPPING BOARD

LIMITATION OF SALARIES

The CHAIRMAN. Mr. Ward, please be as concrete as you can, because we are rushed for time.

Mr. WARD. I should like to call the attention of the committee to what occurred last year in connection with the appropriation act.

Senator JONES of Washington. First, we want to know what you want in this bill.

Mr. WARD. The suggestion is an increase of salary for one special counsel for the Shipping Board.

Senator SMOOT. Found on what page of the bill?

Mr. WARD. Page 29, line 8.

Senator JONES of Washington. Is this the same thing that the Admiral spoke of?

Mr. WARD. Oh, no. This is in the legal division. It is the same part of the bill, but my concrete suggestion is to insert the following words at that line—

Senator SMOOT. You mean page 29, line 8?

Mr. WARD. Yes.

Senator JONES of Washington. Lines 3 to 8.

Mr. WARD. Line 8 is the exact point where I wish to suggest the insertion of the amendment. I suggest the following amendment, and I will then state my reasons for it.

Senator JONES of Washington. That is what I wanted to get.

Mr. WARD. The suggestion is to insert the following:

One special counsel at not to exceed \$12,500.

The CHAIRMAN. Special counsel for the Emergency Fleet Corporation?

Mr. WARD. For the Emergency Fleet Corporation and Shipping Board. The counsel are regarded as counsel for both the board and the fleet, except the admiralty counsel, who is the admiralty counsel of the Shipping Board, under the statute.

Senator JONES of Washington. You have one attorney at \$18,000.

Mr. WARD. The general counsel has \$18,000. All the other large salaries go to the operating men.

Senator JONES of Washington. And you have no other attorney over \$10,000?

Mr. WARD. That is it.

Senator JONES of Washington. Now you want one at \$12,500?

Mr. WARD. One at \$12,500.

Senator SMOOT. Who is that one?

Mr. WARD. Myself.

Senator SMOOT. What is your full name?

Mr. WARD. Henry M. Ward.

In this connection, I should like to call attention to what was said by the chairman of the conference committee on June 5, 1924, at page 10650 of the record, in the first session of the Sixty-eighth Congress. I will not read everything that was said, but the relevant part is this:

The bill in the first place fixed \$11,000 as the maximum salary for the attorneys, with the exception of three who might receive \$18,000. Under the change which has been made \$10,000 is fixed as the maximum compensation for attorneys, except two, who may receive \$18,000. I move the adoption of the report so that it may go to the House for action by that body.

There was no specific provision in the current appropriation act by which the increase of salary to an attorney was authorized. All of the \$18,000 salaries that were authorized went to operating men, with the exception of one, the general counsel.

There has never been brought before the attention of the committee in either House the importance of the work that I am engaged in myself. It happens that I am able to turn out a very large volume of work, and I may perhaps illustrate it in this way:

They have assigned to me a private secretary, two stenographers, and a law clerk, in order to enable me to get the work out. After going over some material that I have, I find that at the present time, if we count a group of eight cases in the Court of Claims as one, I am in general charge of and responsible for 10 cases, involving upward of \$80,000,000, brought by the United States to recover moneys or brought against the Fleet Corporation for the recovery of moneys in the various district courts, or brought against the United States in the Court of Claims, in which I am acting as special assistant.

In addition to that work I am constantly called on by the general counsel for opinions on all manner of subjects that come up. I am the man who is usually called on for an advisory opinion. The work is very important and very arduous.

Senator JONES of Washington. Did you present this matter to the House committee?

Mr. WARD. No; I did not have the opportunity. I tried to do it, but I did not get the opportunity to do it; and the suggestion was made that I should present it to the Senate committee, particularly in view of the statement that was made on the floor of the Senate last year, that it seemed to be the understanding that one of the large salaries was to be for the benefit of another attorney.

I may say in that connection that I referred to the office force at my disposal. All the other attorneys except the general counsel and the assistant to the general counsel, two attorneys, have the services of one stenographer, as compared with two stenographers, a secretary, and a law clerk for myself. That will possibly give an idea of the relative amount of work that is turned out.

These cases against the United States in the Court of Claims and in other courts, in which the United States is bringing suit, are, of course, under the law, in charge of the Attorney General, but it very frequently happens that in these cases one of us is designated as special assistant to the Attorney General because of our peculiar familiarity with the nature of the litigation, and our familiarity with our records, and the study that we have been making of the questions of law.

I may add that when the Shipping Board was reorganized in 1921 there were eight special counsel. Of the original eight, one, Judge Parker, has become the general counsel. The only other two that remain are Mr. Allison and myself.

SENATOR OVERMAN. Do I understand that you follow your cases up to the Court of Claims?

MR. WARD. I do not usually have charge of the cases in the Court of Claims. I am the man who does the court work in the East. I have argued two cases in the Supreme Court of the United States at the last term. I have argued four cases in various circuit courts of appeals. I have drawn the pleadings in nearly all of the important equity cases that we have brought in behalf of the United States for the recovery of these very large amounts in the various district courts.

It happens that before I came down here I had an experience which has made me very familiar with the questions which are involved in this class of litigation. I was associated for many years with Mr. John G. Carlisle. We were in the insular cases together; we were in the Federal legacy tax cases under the act of 1898; and I have also been associated, not as partner but as counsel, with Mr. William D. Guthrie, of New York, for a great many years. It was on his advice that Mr. Schlessner and Mr. Lasker invited me to come down here on a basis of \$15,000, on which basis, of course, we continued for a few weeks, and then our salaries were reduced to \$11,000. Last year my salary was reduced to \$10,000.

This kind of work is exceedingly congenial to me. It interests me very much. There is nothing that I like better than court work, especially work in the Supreme Court of the United States and the circuit court of appeals. I should like to serve the Government. I am willing to make reasonable sacrifices to serve it; but I must say perfectly frankly that I do not feel justified, for the sake of my family and other considerations, in continuing indefinitely in the Government service at the present salary. I do not see how I can afford it. I should regret very much to leave, for, as I say, the work is exceedingly congenial; but it seems to me that while the question of economy is very important, there is no real economy in making it impossible for a man who has qualifications to do the work to serve the Government.

THE CHAIRMAN. You have your amendment as you want to insert it, have you?

MR. WARD. Yes, sir.

THE CHAIRMAN. Just leave it with us.

MR. WARD. It is as follows: On page 28, line 8, insert:

One special counsel at not to exceed \$12,500.

THE CHAIRMAN. Give it to the committee, and we will take it up when we come to mark up the bill.

You have not anything further, have you?

Mr. WARD. No, sir.

Senator SMOOT. Just one question: There will be no question as to Mr. Allison's salary, then? It will remain at \$10,000?

Mr. WARD. I am not in a position to say anything about Mr. Allison, of course.

Senator SMOOT. You may have had more responsibility than he.

Mr. WARD. Oh, I have a great deal more. It happens that for some reason or other I can turn out a very great deal more work than Mr. Allison can. Mr. Allison, however, is a most excellent and very experienced lawyer.

Senator SMOOT. Very, indeed.

Mr. WARD. But he has not been on as many of these cases, and he has not had as large a volume of matters on hand as I have.

Senator SMOOT. I just wanted to ascertain about that in case the question should come up.

Mr. WARD. I do not wish to intimate that Mr. Allison is not fully worth as large a salary as \$12,500, but I am not seeking to accomplish the impossible. I think \$12,500 is not an adequate salary for myself; but I am simply laying the matter before you, and the facts with regard to the relative amount and importance of the work have, I think, been accurately stated.

I thank you, gentlemen.

STATEMENT OF MR. CHARLES D. HAMEL, CHAIRMAN OF THE BOARD OF TAX APPEALS

The CHAIRMAN. You testified before the House?

Mr. HAMEL. Yes, sir.

The CHAIRMAN. How are you getting along with this new institution that has been erected, the Board of Tax Appeals? How many members have you now?

Mr. HAMEL. We have 12 members.

The CHAIRMAN. The limit is 28, I believe?

Mr. HAMEL. Yes, sir.

The CHAIRMAN. Is the work in such state that you are asking for more members at this time or expecting to need more?

Mr. HAMEL. I do not know exactly how to answer that. You will recall that our estimates were based on a membership of 16. I feel that possibly we ought to have one additional member to give us some elasticity. I do not think we need as many as four, in addition to the 12 already appointed. I believe that we may be able to get along with a membership of 13.

I made a survey of the situation as of the 1st of February—the close of our work on January 31—and we are able to hear any case at the present time with our present membership in less than 60 days from the time petition is filed. If a case is not heard in less than 60 days one of the parties is to blame, the taxpayer or the solicitor.

The CHAIRMAN. After you have heard a case, there are further appeals before a final determination?

Mr. HAMEL. Yes, sir. That is a problem of building up a body of employees. We need men to relieve the members of a great deal of detail in connection with the preparation of the findings of fact—the statute requires that we make findings.

The CHAIRMAN. Here is one thing I would like to ascertain: Of course there are men applying to Senators and Representatives for recommendations for employment. Just what class of men are needed there—lawyers, or accountants, or both?

Mr. HAMEL. We need lawyers.

The CHAIRMAN. Of course, if a lawyer is an accountant as well, he is a good man; but what I want to know is, first, who are indispensable and who are most necessary?

Mr. HAMEL. I feel, from the experience we have had, that we do not need members so much as we do able lawyers; lawyers who have practically the same qualifications that a member would have. We need lawyers who have had 8 or 10 years' general experience; not necessarily skilled in the tax phases of the law, although if we can get a man who has some tax experience he is that much more valuable. We need men of judgment and men of some maturity.

The CHAIRMAN. You speak of men of judgment. What about good business men; not lawyers or accountants, but men of business experience? I suppose they would fit in, if at all, somewhat along different lines.

Mr. HAMEL. I fear they would not fit in, Senator, because they are not accustomed to going through a record carefully and picking out that sort of evidence which is legal evidence. Our findings of fact must be supported by legal evidence, or they are not worth the paper they are written on. Under the act they are used in subsequent litigation as prima facie evidence of the facts found in the decision. So that I feel that lawyers are the best qualified.

The CHAIRMAN. Take those who have acted as auditors, we will say, who have been public auditors, and have been paid for such services, who have done the auditing of the books of others; in what relation would they come?

Mr. HAMEL. I do not believe we require their services, Senator. The only purpose of having an auditor or accountant is to get the facts; and a fact which you get as the result of an audit is not at all different from a fact that you get through any other process. The parties must present to us the facts, whether they are accounting facts or other facts. The weight to be given by any accounting facts is determined in the same manner as if it were an ordinary fact. We have found from our experience so far that we do not need accountants. The parties do for us those things which we thought in the first place we would have to do for ourselves.

Senator HARRIS. It is judicial interpretation?

Mr. HAMEL. Exactly.

Senator SMOOT. That was the intention of the act?

Mr. HAMEL. Exactly.

The CHAIRMAN. As a matter of fact, an aggrieved taxpayer has to go to the internal revenue office first before he goes to you?

Mr. HAMEL. Yes, sir.

The CHAIRMAN. He does not go direct to you with a grievance; and it does not reach you until it has been passed upon by the lower court, so to speak?

Mr. HAMEL. Yes; and if they do not reach an agreement with the Internal Revenue Bureau.

The CHAIRMAN. Yes; they sometimes reach an agreement with that bureau?

Mr. HAMEL. Yes; there are adjustments of various kinds which are made. Frequently an additional assessment is proposed based upon a lack of facts. When a man comes in with his facts the bureau is willing to concede that he is correct in his contention and wipes out the assessment.

The CHAIRMAN. Are there any other questions any members of the committee desire to ask?

Senator OVERMAN. In case of an adverse decision the taxpayer appeals to you?

Mr. HAMEL. Yes; in the case of an additional assessment which the bureau insists upon the taxpayer has the right of appeal to us.

Senator OVERMAN. As I understand, they appeal from the decision below to you, and you make the final assessment?

Mr. HAMEL. Yes.

Senator SMOOT. The amount appropriated and granted in the House is \$345,320?

Mr. HAMEL. Yes, sir.

Senator SMOOT. "Of which amount not to exceed \$267,520 may be expended for personal services in the District of Columbia."

Mr. HAMEL. Yes.

Senator SMOOT. You say you want one other judge?

Mr. HAMEL. It is not necessary, but it would give us a little elasticity.

Senator SMOOT. What are you appealing for?

Mr. HAMEL. I will tell you, Senator. Let me briefly state the basis of these estimates. These estimates were made in September—

Senator SMOOT. Do you want an increase in appropriation or membership?

Mr. HAMEL. No, sir.

Senator SMOOT. Then what is it you desire?

Mr. HAMEL. Not a thing.

The CHAIRMAN. He has not asked for anything.

Senator SMOOT. Oh, I did not know that.

Mr. HAMEL. You will recall that we were created by the last revenue act. We met and organized on July 16. In September we had to make these estimates. We did not know how many petitions were going to be filed. It was just like going into the air in trying to make these estimates. Now, we have hit the mark fairly well, but we find that we are away off on some things. I find, for instance, that under the statute a record has to be made of all the testimony we take in cases involving over \$10,000 and such others as may be deemed necessary. We have about 30 cases set down on our day calendar for hearing each day. We are hearing them very rapidly. Our estimate for reporting was \$5,500 per year. Most of our work so far has been done since the 1st of November, and in three months we have spent about \$3,100.

Now, we are not asking for anything, but I just wanted to suggest to you the very great difficulty in making anything like an accurate estimate.

The CHAIRMAN. We understand that.

Mr. HAMEL. And if next winter we find we are short and are facing a deficiency, I believe you gentlemen will appreciate why it is.

Senator SMOOT. There is no member of this committee, nor any Member of Congress in either House, but wants these old cases settled, and wants them settled at the earliest possible date.

Senator OVERMAN. I do not believe in deficiencies. We ought to give them the money that is necessary. They say they have used \$3,100 in three months. Is what you have sufficient?

Mr. HAMEL. I hope it is, Senator. We hoped to get along with 12 members. The present estimates are based on 16 members. I hope that this additional money will be enough to cover any deficiency that we may have growing out of other salary matters. For instance, we are faced with a deficiency as to our printing, also. But I hope that the total that you have given us will be enough to cover all of our needs. But here we are, having been in existence only six months, and we have had an experience covering 750 cases already.

The CHAIRMAN. Have you an organization within your body to take care of different kinds of cases.

Mr. HAMEL. Not to take care of different kinds of cases. We have the board divided into three divisions; but while some members have had a little more experience in some questions than others, we have found it advisable that all the men hear cases of all classes. After all, the decision of any division must ultimately be the decision of the board.

The CHAIRMAN. That is all very proper; but how many in bank finally hear these cases?

Mr. HAMEL. Under the present membership of 12, we are divided into one division of three members, and two divisions of four each, the chairman not being a member of any division. If we had an additional member, we would be able to create an additional division; but that is not absolutely necessary, because the statute contemplates that we may have a division of only two men.

The CHAIRMAN. Unless there is some other question from some other member of the committee, we will excuse you, and we are very much obliged to you.

Mr. HAMEL. Thank you.

Senator JONES of Washington. Mr. Jenkins wanted to call attention to a matter that the chairman of the Shipping Board spoke about. The chairman of the Shipping Board has to be away, and I suggest that we just have Mr. Jenkins come in and present the matter briefly to the committee. It is on page 27 of the bill, where the House adopted on the floor this proviso:

Provided, That no part of the moneys made available by this act for the United States Shipping Board or the United States Shipping Board Emergency Fleet Corporation shall be used to pay to an assistant to a member of the Shipping Board a salary in excess of \$6,500 per annum.

STATEMENT OF MR. J. C. JENKINS, ASSISTANT TO THE CHAIRMAN UNITED STATES SHIPPING BOARD

The CHAIRMAN. We will hear you, Mr. Jenkins.

Mr. JENKINS. As Senator Jones has stated, the chairman of the Shipping Board is prevented from attending here by severe illness in his family, and he thought that the committee ought to know the feeling of the Shipping Board, that it is seriously handicapped in important work. They are handicapped now in going ahead with the regulatory, quasi judicial, and promotion work of the board.

The board now has seven bureaus; the bureaus of operation, traffic, law, construction, regulation, finance, and research. As to this limitation of \$6,500, while at the present moment there are no assistants to commissioners who are under that title who receive \$6,500 or over, yet the board feels that it will be necessary from time to time to put on men, or that they would like to put them on, who might be classed as assistants to the commissioners.

Senator JONES of Washington. This says, "an assistant to a member of the Shipping Board."

Mr. JENKINS. Yes.

Senator JONES of Washington. Have you any assistants to members of the Shipping Board?

Mr. JENKINS. Not by that title, and not at over \$6,500. For instance, take myself; I am the head of the bureau of operation, under which comes sea service, port facilities, and the work of the industrial relations division. I also act as assistant to Mr. O'Connor, the chairman, but I am not appointed as such; and it might be necessary and desirable from the Shipping Board's standpoint, to appoint assistants to the chairman at over \$6,500.

It has always been the custom, up to the present moment, to have assistants, at least two or three. The chairmen have always had assistants who were paid \$9,000, \$10,000, and \$11,000. Admiral Benson had two at \$10,000, I believe.

Senator JONES of Washington. Are they assistants to members? What did those assistants do?

Mr. JENKINS. The assistants to the members are nothing more or less than high-grade secretaries.

Senator JONES of Washington. Are these secretaries now getting more than \$6,500?

Mr. JENKINS. No. What the chairman was afraid of was that this might confuse them; because a man who went in there, for instance, as a special expert on a matter of operation or labor—

Senator JONES of Washington. He goes in as an expert, not as an assistant to a member?

Mr. JENKINS. The different bureaus are distributed around under the different commissioners.

Senator JONES of Washington. Yes, that is true; but the members of that organization are not assistants to the commissioners.

Mr. JENKINS. No, they are not assistants to the commissioners. But take my own case, for instance. I am cited here as the one who is getting over \$6,500.

Senator JONES of Washington. I would not class you as an assistant to a commissioner. You are the head of a branch of the organization.

Mr. JENKINS. But I am also acting as assistant to the chairman.

Senator JONES. You do not get your salary for that?

Mr. JENKINS. No, not entirely.

Senator SMOOT. Not entirely?

Mr. JENKINS. No, sir.

Senator SMOOT. Do you at all? Suppose you were not acting as assistant to the chairman, would you not get the salary as chief of the operating department?

Mr. JENKINS. I am getting \$8,000 and have been for a number of years as the head of the industrial relations division, which is a very

important bureau. It has to do with this matter of the Americanization of crews, particularly; and when Mr. O'Connor was made chairman he called on me from time to time, and I became almost an assistant to him, although I was carrying on this work of this bureau, which came immediately under him.

Now it seems that Congressman Byrnes has construed that I get that salary because I am assistant to the chairman, and although the previous chairmen of the board have always had one or two assistants at \$10,000, and one at \$11,000, and he put this in to prevent the continuance of the assistants at \$10,000. Now, Mr. O'Connor feels that it might be very necessary for him to employ expert assistants from time to time at more than \$6,500 a year.

Of course, you understand that a great deal of the work of the Fleet Corporation necessarily comes in to the Shipping Board for determination, and it has to be handled there by men who have either had experience on the outside or, through their long experience with the board, would have the ability to carry on the work.

Senator SMOOT. Was this amendment discussed in the committee of the House?

Mr. JENKINS. Yes; at great length.

Senator SMOOT. They adopted this on the floor.

Mr. JENKINS. Yes, sir.

(Thereupon, at 11.30 o'clock a. m., the subcommittee went into executive session.)

×

SMITHSONIAN LIBRARIES



3 9088 01850 3615

...of the American
 ...Mr. O'Connor was made
 ...and I began almost
 ...work of the
 ...under him.
 ...Congressman Byrnes has reported that I got
 ...assistant to the chairman, and although
 ...the board have always had one or two
 ...assistants at \$19,000, and one at \$11,000, and he put this in to prevent
 ...the continuance of the assistants at \$19,000. Now, Mr. O'Connor
 ...feels that it might be very necessary for him to employ expert
 ...assistants from time to time at more than \$8,500 a year.
 ...Of course, you understand that a great deal of the work of the
 ...Board necessarily comes in to the Shipping Board for
 ...determination, and it has to be handled there by men who have
 ...either had experience on the inside or, through their long expe-
 ...rience with the board, would have the ability to carry on the work.
 ...Senator Smoot. Was this amendment discussed in the committee
 ...of the House?
 ...Mr. Jenkins. Yes, at great length.
 ...Senator Smoot. They adopted this on the floor.
 ...Mr. Jenkins. Yes, sir.
 ...Thereupon, at 11:30 o'clock a. m., the subcommittee went into
 ...executive session.