

Truman Com

MEMORANDUM

November 5, 1943

To: Senator Kilgore
From: Mr. Meader
Subject: Investigation of Army procurement of industrial tractors and fork lift trucks.

This hearing originated by the filing of a complaint with the Committee by Senator Holman on October 23, 1943, that favoritism was being shown by the Army to the Clark Equipment Company in the awarding of contracts for industrial tractors and fork lift trucks. It was charged that Harry Ferguson, Inc., was discriminated against in connection with a rush order for 729 tractors canceled from a Clark contract on the ground that Clark facilities were more urgently needed for other purposes. The discrimination was said to have resulted from the inclusion in the proposed contract of certain terms which were impossible of performance. It was also charged that Clark Equipment Company had been favored thru Army requirements which preferred heavier equipment for warehousing operations thus discriminating against Mobilift, a lighter type of fork lift truck.

It was claimed that former employees of the Clark Equipment Company, notably Major Max Goodwin and Captain Hugh Conklin, had been influential in achieving a favored position for Clark, not only thru

their official duties, but thru their acquaintance and access to other Army officials having jurisdiction over vital steps leading up to the award of equipment contracts.

It is contended that the result of this action is found in (1) warehouse operating manuals issued by the Army Service Forces and the Air Forces, which in effect promoted the Clark type of equipment and disparaged the Mobilift type; (2) in drafting specifications which permitted Clark to comply, but excluded competitors; (3) in procurement directives, in one of which the Vaughan product was by name indicated as unacceptable and in which dimensions and features were identical in at least two cases with standard Clark Equipment leaving no margin within which a competitor with a similar , but not identical product, could compete; (4) in the award of contracts by the inclusion of impossible terms; (5) in failing to issue shipping instructions promptly so that finished equipment and repair parts backed-up in the Vaughan plant at a time when depots were in urgent need of the equipment. It is also charged that under such circumstances depots requesting the lighter Vaughan fork lift truck were furnished with a heavier Clark product on the ground that the lighter equipment was not available; (6) in demonstrations where former Clark representatives not directly charged with any duties with reference to tests were present and offered comments on what they considered disadvantageous features of the tractor on exhibition and failed to point out any feature in which the Ford

tractor was superior to the Clark product.

There were other miscellaneous charges of procrastination and lack of cooperation on the part of the Army in dealing with manufacturers other than Clark.

While the record is somewhat confused, in a large measure, it supports the charges, although the proof of the extent of the influence of former Clark representatives rests upon inferences from the circumstances. In these hearings, the Army was permitted to offer evidence as a prepared case - somewhat similar to trial procedure - and this undoubtedly has contributed to the confused situation of the record because principal witnesses offered by the Army were not personally familiar with the facts concerning which they gave testimony. It would probably take some little time at a hearing to clarify this record. In the writer's opinion, however, this is of questionable value since the main issue has become much broader than the charge of favoritism.

It has now become apparent that in handling the tremendous job of warehousing Army goods and in acquiring equipment therefor, the Army has failed to achieve the economy, efficiency and good business methods which are demanded. Substantial sums of money are involved and important results flow from an ineffective handling of warehousing and storage because the problem of supply in this war, as in no previous one, is highly important. The investigation to-date has barely opened the door on this

inquiry. These facts have appeared but have not been adequately developed:

1. The Storage Division of Army Service Forces failed to employ, in any serious way, experts in materials handling to set up a system for the obviously gigantic task of storing the vast quantities of materials and supplies being acquired by the Army and held available for use in the various theaters of war. On this point, Colonel Drake testified that he had secured the service of a six-man panel, who in an off-hand way had visited depots and made suggestions, but apparently had not submitted any written report or outlined recommended procedure for proper materials handling. In contrast, it might be noted that the Quartermaster General's Department had in July of 1941 employed Mr. Marnon, who had had twenty years' experience in materials handling problems and had devised the Mobilift fork truck after considering the problems involved in the movement of packages by mechanical means and after experimentation on various models. It was also quite apparent that Major Reed Smith of the Quartermaster General's Department, who had prepared an operating manual as early as July 1942, had a much clearer appreciation of the problems involved and labor saving methods than any of the officers who testified for the Army Service Forces.
2. No showing has been made that any officer in position of authority had any qualifications of previous experience in materials handling.
3. No showing was made of having employed in any position of author-

ity any man experienced in the production of materials handling equipment - specifications were shown to have been written by an architect rather than an engineer. Captain Conklin and Major Goodwin were no exceptions to this statement, since Major Goodwin was a sales manager of the Chicago branch of Clark and is not shown to have had any background in either engineering or production.

4. The cost of materials handling under the existing policies and practices is alleged to be extravagant. The Army furnished a large chart and also a printed book both prepared by the Statistical Division, but which failed to disclose the development of any device or standard capable of measuring either cost or efficiency either as between the various service forces or from month to month. Dollar cost records were kept for ten months - up to June 1943 - when they were discontinued. These have not yet been furnished to the Committee.

5. The case of Andre Merle. Mr. Merle who served in the first war and was later a refrigeration engineer and who had had four years experience with materials handling, but does not claim to be an expert, was employed under Civil Service in the War Department in 1937 and applied for and received a commission as a Captain in the Army in 1940. • He was assigned to the allocation division under Major Max Goodwin, and as such, studied the statistics on materials handling in the various depots

for the purpose of exercising judgment in determining to which of the competing services available equipment should be allocated.

It is his contention that in late March or early April 1943, on the basis of statistics which showed that the number of employees and units of equipment were increasing, but that the volume/^{of} tons handled remained constant, ^{He recommended} ~~and~~ that allocations of further equipment be suspended. This recommendation was made to Major Goodwin. Shortly thereafter he was called by Colonel Drake who requested that Captain Merle examine the figures prepared by the Statistical Division and find out where they were in error. After a week's study, Captain Merle reported to Colonel Drake that he could not discover that the figures were in error and that it looked like something must be wrong with the way the Army was administering its materials handling. On April 16, 1943, without further notice Captain Merle was notified that he was relieved from active service and shortly thereafter was discharged from the Army on terms which failed to state whether the discharge was honorable or dishonorable.

Captain Merle had no knowledge at the time as to either the person or persons who preferred charges against him or the nature of the charge, although he had previous^{ly}/appeared, on request, at the Inspector General's office (without Colonel Drake) and answered certain questions which he thought were of a routine character.

Upon being discharged, he contacted a number of Generals and

other officers in an attempt to discover the reason for his discharge but was unsuccessful. Thru Mrs. Roosevelt, he secured a so-called re-hearing before a civilian board in which he was not advised of the charge against him and was not asked any questions and which resulted in an affirmance of his dismissal. Thru further correspondence with Mrs. Roosevelt, he was later advised that his dismissal resulted from a falsification in an application that he possessed a degree of civil engineer, which he did not in fact possess.

Subsequently, he was employed in the Planning Division of Army Service Forces as a civilian, apparently on his Civil Service status as it existed prior to his receiving his Army commission.

Mr. Merle at the request of the Committee has attended all of the hearings, although he has not yet testified. Today, November 5, 1943, he was advised that effective immediately, he was discharged from Civil Service and upon inquiry was able to learn only that the reason given was that he had been discharged from the Army.

Mr. Merle has contended that he has never had a fair hearing nor even a court martial and would welcome any attention that the Committee might feel his case warrants. He makes no claim that he is an expert in materials handling, but does claim to be a competent engineer, and before his discharge was engaged in analysing materials handling equipment for the

purpose of determining the quantities of scarce materials for which the Army should request allocation by the War Production Board.

At this stage, it would seem that further inquiry by the Committee should be made into:

1. The materials handling problem faced by the Army and the skill and efficiency with which it has been and is being solved.
2. Personnel generally and their record of performance as shown by statistics revealing the cost and efficiency of materials handling operations.
3. In the event that such inquiries develop ^{the} conclusion that the problem has been poorly solved, the higher officers responsible should be asked to explain why they permitted it.

November 6, 1943.

Senator Holman called the Committee this morning (November 6, 1943) and stated that he believed the Army was withholding information; that the numerous witnesses present at the previous hearings were coaching each other and relieving each other by volunteering answers directed to someone else; and that he believed future sessions should proceed with just one witness in the room at a time.