

United States Senate

MEMORANDUM

To Sen Kilgore

Attached is
a report on concrete barges
at San Jacinto. As bad
or worse than Mac Evey.

I would like to
add this as an appendix
to the Shipbuilding Report
now being drafted if you
approve.

Hugh Fulton

I have made a number
of minor changes of punctuation
etc. that are not incorporated
in this draft.

COPY
SAN JACINTO SHIPBUILDERS
CONSTRUCTION OF CONCRETE BARGES

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MEMORANDUM REGARDING CONCRETE
BARGE CONSTRUCTION BY THE SAN
JACINTO SHIPBUILDERS AT HOUS-
TON, TEXAS.

On August 28, 1941, the Maritime Commission issued invitations for proposal for the construction of reinforced concrete barges. This invitation was sent to 150 prospective contractors and bids were received from 64. On October 15, 1941, the Maritime Commission decided on a curtailed program which called for the construction of three shipyards, each of which would construct five concrete barges. The 14 most favorable bids which they had received were used as the basis for negotiations with these bidders.

The bidders who were considered for the contract to be placed in the Gulf Coast area were Ford J. Twaits of Los Angeles, Concrete Shipbuilding Company of New York City and San Jacinto Shipbuilders (a proposed corporation) of Houston, Texas.

The Ford J. Twaits Company was an experienced contractor and had constructed concrete barges during the last war. Their final bid was not considered favorably because their price was far in excess of the other two. The concrete barge design which would be used by this company was considered adequate by the Maritime Commission.

The Concrete Shipbuilding Company proposed using the design of Joseph DiStasio which was not considered as favorably as others received by the Maritime Commission. The price they proposed was also believed to be too high. The San Jacinto Shipbuilders' proposal was

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viewed favorably by the Maritime Commission because of their low price; the fact that this proposal was offered by local Gulf interests; and the Anderson design which they were to use was held in favor by the Commission.

After negotiating with these three companies relative to placing a shipyard in a Gulf Coast area, the Maritime Commission entered into a contract with the San Jacinto Shipbuilders on November 26, 1941. This was a cost-minus or adjusted price contract providing for the construction of five reinforced concrete barges, one to be delivered on each of the following dates: June 6, June 20, July 20, August 3, and September 2, 1942. Article 3 of the contract provided that the total cost would be \$2,843,665 based on a unit cost of \$568,733 per barge. A launching fee of \$7,755.50 as well as a similar fee for delivery of each barge was provided in Article 14. This contract contains the usual provisions for increases or decreases in the contract price as a result of fluctuation in the costs of labor and material and also provides for the adjustment of the contract price in the event that the amounts paid for material and labor exceed the contract price as adjustment due to the above fluctuations.

The San Jacinto Shipbuilders entered into a contract on December 16, 1941, with the Defense Plant Corporation. This contract provided that the Defense Plant Corporation would finance the construction of facilities, in an amount not exceeding \$600,000, necessary to perform the Maritime Commission's contract. The San Jacinto Shipbuilders were to pay off this loan at the rate of

\$123,000 per barge. This amount was reimbursible under their contract with the Maritime Commission. Article 15 of this contract gave the San Jacinto Shipbuilders an option to purchase the site, facilities and machinery constructed under the contract after they were no longer needed for the construction of ships by the U. S. Government. A supplement to this contract dated January 10, 1942, provided that the San Jacinto Shipbuilders would receive a fee of \$10,750 for performing all architectural and engineering services required under the contract. It was originally contemplated that the facilities to be constructed would be completed within 90 days. However, on September 30, 1942, when the Defense Plant Corporation transferred its rights under the contract to the Maritime Commission, the facilities had not been completed.

This project has been the scene of so many personality clashes that it is referred to as the Second Battle of San Jacinto. The contractors originally awarded to a newly formed corporation made up of H. C. Cockburn, an oil operator with no shipbuilding experience, and Harry K. Johnson, an independent contractor with considerable construction but no shipbuilding experience. L. H. Cockburn and Harry K. Johnson, Jr., the sons of the above men, were given minor interests in the corporation. Before the contract was signed and approved by the Maritime Commission, Harry K. Johnson, had become so dissatisfied with the actions of his associate in attempting to set up separate corporations to deal with the shipbuilding corporation and endeavoring to obtain complete control of the shipbuilding corporation that he and his son sold their

stock and interest in the contract through Cockburn to T. P. Roberts and L. R. Whitson, both of whom were oil men and contractors from Dallas, Texas.

L. R. Whitson resigned from the corporation on May 30, 1942, after he had been unsuccessful in having the Maritime Commission approve the structural engineering plans of his brother-in-law, Professor George A. Maney of Northwestern University. The Maritime Commission had favored and finally approved the use of the structural engineering plans of Joseph DiStasio. Professor Maney's plans called for prefabrication of forms and reinforcing steel and certain untried methods with which the Maritime Commission did not wish to experiment. Professor Maney has alleged that Joseph DiStasio received help on his designs from John Vasta, who is employed by the Maritime Commission as assistant to R. D. Karr, Head of the Hull and Scientific Section.

The clashes between T. P. Roberts and H. C. Cockburn were more prolonged than any of the others. Mr. Roberts was the actual Project Manager and had numerous disagreements with Cockburn as a result of the lack of working capital and Cockburn's failure to take an active part in the construction work. On the last two occasions, these two officials, the president and the vice president of the corporation, were on the verge of fist fights in the project office. In July 1942 it was finally decided that either Cockburn or Roberts would have to buy the others interest in the corporation. According to Mr. Cockburn, the Maritime Commission advised him that they would like him

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to sell his interest to Mr. Roberts and when Roberts was unable to obtain the necessary capital, both Roberts and Cockburn agreed to sell their interest in the Corporation to McCloskey and Company, who had been negotiating with the Maritime Commission.

Early in September 1942, the McCloskey Company bought all of the stock of the San Jacinto Shipbuilders and assumed their contract with the Maritime Commission. As an inducement for them to do this, the Maritime Commission changed the delivery dates on the original contract to provide for deliveries as follows: Two on November 1, two on December 1, 1942, and one on January 1, 1943. The Maritime Commission also gave the McCloskey Company an additional facility allotment which would make the total amount available for facilities including the Defense Plant Corporation loan of \$1,100,000. They also gave the McCloskey Company the contract for 15 additional reinforced concrete barges to be delivered on various dates and completed by August 1, 1943. These barges were to cost \$693,000 each, a total of \$10,395,000 for the contract. Delivery and launching fees were to be \$9,450 each for each barge.

When the McCloskey Company took over, they placed M. H. McCloskey, III, a boy about 25 years old, in charge of this project as project manager. M. H. McCloskey, III's lack of experience was the cause of additional dissatisfaction on the project. However, since November 1942, his uncle, J. C. McCloskey, has been unofficially in charge of the project.

During the negotiations prior to the awarding of any contracts to the San Jacinto Shipbuilders, it was contemplated that

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their shipyards would be located on property owned by Harry K. Johnson on the San Jacinto River. After the award of the contract, it was found that this site could not be used because the barges would be too large to pass under the bridges between the proposed shipyard site and the Houston Ship Channel. It was then decided to construct the shipyard on property owned by H. C. Cockburn on the San Jacinto Bay. Prior to commencing construction, no survey was made by the Maritime Commission to determine the adequacy of this site. A cursory inspection would have developed the fact that the site was not served by a railroad and the San Jacinto Bay had approximately 18 inches of water on about 15 feet of silt. The site was located about 1000 feet from the Houston Ship Channel and this made it necessary to dredge a channel into the yard.

When H. C. Cockburn deeded this property to the San Jacinto Shipbuilders, he entered into a collateral agreement. Under this agreement the San Jacinto Shipbuilders promised to exercise the option in their contract with the Defense Plant Corporation and purchase the site and facilities from that corporation when it was no longer needed in the defense program. After obtaining the site and facilities, the San Jacinto Shipbuilders agreed to reconvey them to H. C. Cockburn. In this way, Mr. Cockburn would have his property improved at no cost to himself.

Up until the time that the McCloskey Company took over this shipyard the work suffered from lack of working capital and inadequate financing. The San Jacinto Shipbuilders was originally incorporated

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for \$20,000 but only \$10,000 was paid in which was permissible under Texas state law. In June 1942 the capital stock was increased to \$100,000. Just after receiving the contract, the corporation obtained a \$300,000 line of credit from the National Bank of Commerce, Houston, Texas. This line of credit was secured only by the personal guarantees of H. C. Cockburn, T. P. Roberts and L. R. Whitson. The most that this bank would advance at any time was \$150,000 and they finally became so dissatisfied with the way in which the project was being operated and the difficulty they experienced in getting the corporation to assign payments under its contract to them that they withdrew their line of credit in June 1942. The Maritime Commission was actually furnishing the necessary working capital because all interest charged by the National Bank of Commerce on this line of credit up to $2\frac{1}{2}$ per cent was reimbursable by the Maritime Commission as part of the contract cost. At the urgent requests of Mr. Sanford, Regional Director of the Maritime Commission, and J. A. Honsick of the Finance Division assured them on July 6 that the Maritime Commission had complete confidence in the organization operating the yard and that there was no thought at that time of cancelling the contract, the bank reopened its line of credit. However, on August 8 they cancelled the credit permanently. On numerous occasions both Cockburn and Roberts had to advance the corporation money from their personal accounts in order to meet pay rolls. Another device used to obtain working capital was that all the officers turned their salaries back into the corporation.

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For their original investment of \$10,000 in the San Jacinto Shipbuilders, the original contractors were to receive fees on the Maritime Commission contract for five barges totalling \$77,555, plus 50 per cent of all savings under the contract price up to a total of \$180,934. They were also to receive a fee of \$10,750 for the architectural and engineering work under the Defense Plant Corporation facility contract. In addition to these amounts, the Maritime Commission was to reimburse their salaries none of which were less than \$7,500.

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Another cause of delay and expense was experienced in the preparation of plans and designs for these concrete barges. When the contract was awarded the Maritime Commission had no approved plans but Colonel P. M. Anderson, who had been retained by the San Jacinto Shipbuilders as their naval architect, agreed to have all necessary plans ready when the facilities were completed. Maney and St. Denis, a Navy Department employee, who had prepared most of the original designs for Colonel Anderson, did not share his confidence with respect to the time necessary to prepare these designs. Shortly after the contract was awarded, Colonel Anderson entered the hospital and on his death January 10, 1942, the responsibility for preparing the barge plans and designs fell to St. Denis, as he had been more closely connected with Colonel Anderson than any of his other assistants. The San Jacinto Shipbuilders and the McEvoy Shipbuilding Company who had also been using Colonel Anderson's designs arranged jointly to obtain St. Denis as their naval architect and coordinator of all architectural and engineering work. Kindlund & Drake were retained as mechanical engineers, Ottenliskey & Rhodes were employed to develop the details of the naval architecture, and Joseph Di Stasio was retained as structural engineer. The San Jacinto Shipbuilders also employed Professor Maney, L. R. Whitson's brother-in-law, as structural engineer and consultant.

St. Denis was employed during the day by the Bureau of Ships, Navy Department, and could work on the concrete barge plans only in the evenings. He was paid \$5 an hour and assembled a staff of architects, most of whom were employed by the Navy Department, to work with him at night. These men were paid at rates equivalent to approximately 1-1/2 times their daytime rate computed on an hourly basis. The ethics of employing these Navy Department men by a private concern is considered at least highly questionable.

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Aside from his work at night, St. Denis was given leave by the Navy Department to represent the San Jacinto Shipbuilders and McEvoy Shipbuilding Company before the Maritime Commission, to visit other architects and engineers for consultations, and to visit shipyards. While on these trips he received his usual salary from the Navy Department and also received his agreed salary from the concrete barge contractors.

The preparation of the numerous plans necessary for the concrete barges was, as St. Denis expected, a slower process than the contractors and the Maritime Commission had believed it would be. Preparation of the plans was further delayed by the requirement of the Maritime Commission that all plans and designs be approved by the Bureau of Marine Navigation and Inspection and the American Bureau of Shipping prior to submitting them for Maritime Commission approval. The American Bureau of Shipping had no experience upon which to base its analysis of the designs and in the absence of such experience assumed an extremely conservative attitude in requiring safety features. For example, on one occasion they required the addition of approximately 600 tons of reinforcing steel in the midships section of the barge. One of the original arguments in favor of the concrete barge program had been that low grade reinforcing steel, available in relatively large quantities, would be used but the American Bureau of Shipping's requirement that longitudinal steel must be butt-welded rather than overlapped made it necessary to obtain large quantities of scarce high grade reinforcing steel.

Whenever changes were required by the various design approving groups it made it necessary to redraw all related plans. This often took from two to five weeks work by the various designers. St. Denis has said that even minor changes in the design of part of a concrete barge or its machinery usually requires changes in numerous plans already approved. This is not

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true with steel changes he said because minor changes or errors could be corrected during construction by cutting or replacing the affected sections. St. Denis indicated that it would require more than a year to design a concrete barge properly. This has been proved by the fact that even now the San Jacinto Shipbuilders have not received all final approved plans for the barges.

Mr. Whitson's insistence that the Maritime Commission approve the use of Professor Maney's structural plans rather than those of Di Stasio further complicated and delayed the preparation of the necessary plans. Maney's plans called for extensive prefabrication and welding of reinforcing steel frames, which the Maritime Commission considered too radical. They seemed to prefer the slower but more conservative and proven methods of reinforcing concrete construction proposed by Di Stasio. Maney, however, has charged that officials in the Maritime Commission actually worked with and assisted Di Stasio in the development of his plans and because of this alleged improper relation, favored his methods.

Plans to date have cost more than \$60,000 and, as heretofore stated, are not yet completed.

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Most of the original facilities financed by the Defense Plant Corporation were constructed by subcontractors. It was found that the San Jacinto Shipbuilders in most cases employed the procedure of requesting bidders on work they were going to subcontract, but they held no public bid openings. As a result of this some low bidders were not awarded contracts but favored bidders were given the work based on the low bids received. Several of the bidders were contacted by associates of H. C. Cockburn with requests for brokerages, employment to represent the bidder and to obtain the bidders bid bond business. Some bidders shown on the bid tabulation furnished the Defense Plant Corporation have advised that corporation that they submitted no bids to the San Jacinto Shipbuilders. Qualified local bidders were not always asked to submit quotations on some phases of the work which made it possible to award these contracts to friends at inflated prices or to concerns from other cities. In nearly every case, after receiving a subcontract, additional work was placed with the contractor under purchase orders. This additional work in some cases amounted to two or three times the value of the original subcontractor. A brief description of some of these subcontracts follows:

The Ballantyne Engineering Company with offices above the Cockburn Oil Company was awarded a subcontract for the removal of approximately 100,000 cubic yards of earth at 21 1/4 cents per cubic yard. The bid sheet shows that bids were received from the Southern States Construction Company 21 1/2 cents; J. Ray McDermott and Company at 22 3/4 cents and the Ballantyne Engineering Company at 21 1/4

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cents. Actually the Ballantyne Engineering Company bid was 23 cents and was given the contract at a rate which was one-quarter of a cent lower than the Southern States Construction Company, the actual low bidder. This subcontractor was given purchase orders for over \$1000 worth of additional work.

The plumbing work was awarded to the Warren Company of Houston. Several bid sheets show Lee Rogerson and the Barber Plumbing Company as bidders on part of this work. Both of these concerns have advised the Committee that they submitted no bids for work on this project. The Warren Company's original contract for approximately \$6000 was increased to approximately \$28,000 by additional work.

The Pfeiffer Electric Company of La Porte, Texas, received a subcontract in the amount of \$9000 for certain electrical work on the project. Subsequent orders increased the amount of this work by more than \$21,000.

A subcontract in the amount of \$56,728 was awarded to the H. L. Rogers Company of Dallas, Texas, for the erection of an office building, personnel building, lumber shed and parts of a mould loft. In addition to H. L. Rogers' bid, the bid tabulation sheet showed that bids had been submitted by the MacLeod Brothers of Pasadena, Texas, and the R. L. Ball Construction Company of Houston, Texas, in the amounts of \$68,390 and \$65,908 respectively. The Ball Construction Company has advised the Committee that they did not bid on this work. The MacLeod Brothers bids were lower than the H. L. Rogers bids on every building except the lumber shed. On this item, Rogers bid \$7,346 and MacLeod showed 27,200. E. A. Dillon, the

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Defense Plant Corporation Engineer stated that six or seven thousand dollars was a reasonable amount to pay for the lumber shed and could not understand how the MacLeod Brothers bid could be so far out of line on this item when their quotations on the other buildings were quite reasonable. It was found that the H. L. Rogers Company of Dallas had formerly done considerable construction work for T. P. Roberts and L. R. Whitson and that Rogers' superintendent, M. H. Jensen, was Mr. Whitson's brother-in-law. It was interesting to note that none of the large construction companies in Houston were requested to bid on this work.

The McMullen Dredging Company of Harvey, Louisiana, received a contract to dredge approximately 300,000 cubic yards at 11 2/10 cents per cubic yard. The bid tabulation sheet shows McMullen's bid and several others ranged from 12 cents to 12 1/2 cents per cubic yard. On an examination of McMullen's bid, it appeared to have been erased and changed from 11 3/4 cents to 11 2/10. The Lone Star Dredging Company was shown as having bid 12 cents per cubic yard. However, this bid was reduced by telegram to 11 1/4 cents. This reducing is not shown on the bid tabulation sheet and the McMullen bid was apparently changed after the receipt of the lower bid by the Lone Star Dredging Company. In connection with the bids on this work, Mr. Charles Bellar of the Lone Star Dredging Company told Committee investigators that he was told by a visitor to his hotel the night before the contract was awarded that he would receive the contract if he paid the visitor \$8000 cash. While the total amount of McMullen's original bid was \$33,600, this company has received additional

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work making the total volume of their business approximately \$75,000. Due to the nature of the soil in the San Jacinto Bay, much additional dredging work will be necessary in order to maintain a channel from the shipyard site to the Houston Ship Channel.

The subcontract covering pile driving and erection of construction and launching ways was awarded to J. Ray McDermott and Company in the total amount of \$156,000. They have received additional work in the amount of \$56,000. The bid tabulation sheet shows the above bid between McDermott and four other bids ranking up to \$190,000. The original bid of the McDermott Company could not be found in the files of the San Jacinto Shipbuilders or the Defense Plant Corporation. However, there was found a bid by Ole Peterson and Son amounting to approximately \$156,600. Mr. Peterson stated that he was actually given a signed contract by the San Jacinto Shipbuilders but returned it to them. He said he did not believe the corporation would be able to coordinate related work such as the dredging and earth excavation. He made an effort to obtain the contract covering that work as well as the pile driving but was told he could have a general contract covering these three operations only if he would subcontract the dredging and earth excavation to companies they selected, and at prices they would stipulate. Another reason given by Mr. Peterson for refusing to accept a contract with this corporation was that he believed Mr. Cockburn was surrounded by too many hangers-on. Such people he said had approached him in an effort to be retained to represent him on this work and to furnish the bonds required. Subsequent evidence confirmed his lack of confidence in the contractors

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to control and coordinate the various phases of the work.

A subcontract was also awarded to George Cockburn, brother of H. C. Cockburn. This contract was for drilling a water well costing \$7,388.07. In addition to George Cockburn's bid, the bid tabulation sheet showed that bids had been received from Jack Fraizer and Temple Hargrove in the amounts of \$8,490 and \$9,250 respectively. Temple Hargrove is an oil operator working in H. C. Cockburn's office. Jack W. Fraizer is also an oil operator and driller. No quotations were requested from any of the local water well drilling companies. The Defense Plant Corporation recovered \$2,276 from George Cockburn after he had unsuccessfully completed this contract. The well he drilled was not adequate and it was necessary at a later date to drill an additional well. In addition to the above subcontract, George Cockburn had numerous pieces of equipment rented to this project. There were no recapture clauses in the rental agreements with George Cockburn. Including the subcontract and equipment rental, George Cockburn received business from this project totalling over \$44,000.

No one at the shipyard connected with the San Jacinto Shipbuilders or the Government agencies interested in this project state that the facilities constructed under the \$600,000 Defense Plant Corporation allotment could not be replaced at a much more moderate cost. The excessive cost of these facilities was caused by inadequate planning and poor coordination of work on an undesirable site. Side launching from the bank of the San Jacinto Bay would have presented relatively few problems but it was decided to construct a pier about

800 feet in length with four ways which would extend into the Bay. Adequate boring to determine the nature of the sub-soil in the Bay were not made prior to starting the construction work. It later developed that the piles ordered would not be long enough and these orders had to be changed. A more serious and costly error was made in failing to ascertain the nature of the soil in the Bay and coordinating the excavation in pile driving work. Much of the piling had been installed when the work of filling in the pier area began. The weight of the dirt on the 15 feet of silt in the Bay forced some silt out around the piles, moved many of them out of line and loosened others. The piles disturbed in this operation had to be strengthened at a later date. On one occasion the pile driving barge was grounded by the silt forced up upon the piles that had been driven. Finally the pile driving and dredging work had to be stopped while steps were taken to remove some of the silt within the pier area and stabilize this section. According to the Maritime Commission plant engineer no records were kept regarding the depth of penetration of the original piles and this together with the unstable condition of the pier and construction ways has made it necessary to extend the launching ways 40 feet on each of the four ways. This costly work was necessitated only as a result of the incompetent manner in which the original work was performed. It has also been necessary to alter the blocking system under the barges now being constructed for similar reasons. So much of the original Defense Plant Corporation allotment was consumed by the costly construction work that funds were not available for the acquisition of the necessary machinery and equipment to operate

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the yard. By May 1, 1942, the San Jacinto Shipbuilders with the consent of Clarence Hildreth, the Maritime Commission auditor, resorted to the practice of renting machinery and equipment on a recapture basis and charging it to the Maritime Commission as part of the cost of the ship. All such machinery and equipment should have been charged to the Defense Plant Corporation as it was part of the facilities and had been provided for in their facility loan. Among the items obtained in this manner were 8 hoisting towers, two for each way and a pipe line to the concrete batch plant. An effort was even made to obtain electric finance in this manner. So much of the facility cost was charged to ship construction that it was necessary for the Maritime Commission to allot \$100,000 to cover such erroneous charges after the McCloskey Company took over this yard.

Among the equipment purchased under the Defense Plant Corporation loan were air compressors and cylinder braced machines owned by the First National Bank of La Porte, Texas. The bank received from the Defense Plant Corporation \$5,500 for this equipment and then turned \$500 back to the San Jacinto Shipbuilders. The explanation given for this was that the San Jacinto Shipbuilders were paying for \$500 they had paid to Mr. A. C. Behr as a commission for locating the equipment.

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The technical personnel employed on this project have either been handicapped by lack of experience or lack of authority to enforce their decisions. When the project started A. S. Bergendahl had been employed to act as chief engineer. Most of his previous experience had been in railroad construction but during the last war he had some experience in shipbuilding. After T. P. Roberts and L. R. Whitson became associated with the corporation, Bergendahl was stripped of most of his authority, and in March 1942 he was replaced by Blakely Smith. Mr. Smith seems to have had little engineering experience immediately prior to this appointment. He had been engaged in developing milk routes, operating a goat farm, and prior to that, had been connected with a stevedoring concern. Upon his dismissal August 1, 1942 the engineering work was handled by D. T. Crittenden, Smith's former assistant. He was formerly associated with an oil company in Dallas.

The first general superintendent at this project was C. A. Morine, who had many years experience in shipyards on the West Coast. After some disagreement with the executives of the corporation, Morine resigned and went with the Brown Shipyards, Houston. He was replaced by M. H. Jensen, formerly superintendent for the H. L. Rogers Construction Company, who erected the various buildings on the project. On the 1st of May Mr. Jensen was replaced by George Moulton, who had formerly been general superintendent for the McEvoy Shipbuilding Company. Although Mr. Moulton's ability was freely conceded by the personnel at the project, his authority was limited by T. P. Roberts, who had assumed the position of general manager. When McCloskey & Company took over this project, Moulton was replaced by Edward Evans, a man with many years construction experience in the concrete barge program.

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It was originally contemplated that Eric A. Johnson would be the corporation official actually controlling this project. When T. P. Roberts and L. E. Whitson purchased Johnson's interest in the contract, Whitson was designated general manager. He instigated numerous changes in the facilities with the apparent intention of developing the yard in such a way that Professor Maney's structural plans would have to be used. When the Maritime Commission made it quite clear that they did not approve Maney's plans, Whitson resigned and T. P. Roberts, who had no previous shipbuilding experience, assumed the duties of general manager. As previously stated, McCloskey & Company installed M. H. McCloskey III as project manager. Any previous experience he has had could not qualify him for this position because of his extreme youth.

It was found that the accounting records maintained at the project prior to the advent of the McCloskey Company had been the source of considerable confusion to the Defense Plant Corporation and the Maritime Commission. In this connection, it was found that the original accountant employed by San Jacinto Shipbuilders was T. J. Tapp, Mr. Cockbrun's personal accountant. The chief auditor for the Defense Plant Corporation in Houston said that while this project was the smallest one they had handled, it was necessary at one time for them to maintain three engineers and two auditors on the project. Several of their projects amounting to \$20,000,000 to \$50,000,000 were handled by one engineer and one auditor. The Defense Plant auditors reported that the project maintained no adequate records of materials received; that purchase requisitions were prepared after material had been ordered, and frequently purchase orders were ^{not} issued until the material had been received or the service rendered. Blakely Smith, former engineer, stated that this was done so that

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the purchase order and invoice would agree. It was also reported that the payrolls had not been properly prepared and no adequate control or record was kept of rented equipment.

Mr. Tapp apparently could not keep up with the work as it was reported his records were far from current.

The original Maritime Commission auditor, Clarence Hildreth, stayed on the project until the middle of August 1942. He was replaced by Leo Constantine and J. M. Yoes. Mr. Yoes made the following statement on conditions at this project at the time of his arrival:

"In all of the writer's experience I have never seen as much inefficiency crowded into so short a period of time as was the case on this small contract; the Contractor passed anything he so desired reimbursement on to the Maritime Commission auditor, he approved the reimbursement regardless, and with no supporting papers, no authority, no completed payrolls, etc. There is no point in going into details, they are too numerous.

* * * * *

"Mr. Marshall, Acting Regional Construction Auditor for this District, has promised to be over here the 19th of October. There are many questions in the air that he can undoubtedly advise me on. As far as I can determine now the suspensions on the old contract from Partial Payments Nos. 1 to 16, inclusive, will aggregate \$100,000.00, unless there are methods of accounting for public funds other than those I am familiar with or are set forth in Regulations and Instructions other than those available in this office.

"The placing of the guilt for this gross inefficiency and in some cases almost criminal negligence, will get neither the Contractor nor the Commission any credit as they are equally guilty, so my intentions are to clear the deck up to date, get McCloskey & Company started right and keep them right and work up correct reports for the past as far as papers and records are available and let the chips fall where they may."

Mr. Constantine reported that after a hurried reaudit of the vouchers previously reimbursed by the Maritime Commission to San Jacinto Shipbuilders

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they had uncovered \$80,000 in suspensions. He indicated that the total amount would be much greater in view of the fact that he had not had time to reaudit the payrolls, but that everything indicated that there would be numerous suspensions on them. Conditions have improved since September 4 when the McCloskey Company obtained control of the project. However, Mr. Yoes has advised Committee investigators that he was uncovering suspensions on the previous work at the rate of approximately \$1,000 a day. He indicated that he was calling these matters to the attention of the Maritime Commission Regional Office for transmittal to the General Accounting Office, because if he insisted on the suspensions it would undoubtedly stop the project.

Shortly after work started on this project, the San Jacinto Shipbuilders began losing interest in their concrete barge contract. The corporation's indifference to this contract no doubt contributed to the various irregularities outlined above. By the end of February 1942, Francis Richardson of New Orleans, a consulting engineer on shipbuilding, had been retained according to his own statement "to estimate the cost of building steel tug boats for the United States Army and to use my influences and abilities for the purpose of cancelling the concrete ship contracts which San Jacinto Shipbuilding Corporation had with the Maritime Commission and obtain for the company in lieu of said concrete ship contracts, contracts for the building of steel and wood ships."

In referring to Mr. Richardson's assignment Mr. Cockburn wrote that "it would look favorable for a while but he wanted to pay a Maritime man a \$5000 fee and T. P. Roberts jumped all over him and from then on things went wrong." According to Mr. Richardson, Cockburn, Whitson and Roberts found out while in Washington that they would probably receive the contracts for more concrete barges and they then employed John I. Roberts to assist in the management of the corporation and to represent them before the Maritime Commission. Their efforts to cancel the barge contract were abandoned but they continued seeking additional ship construction work for their yard. Whitson and Roberts were also trying to interest the Government in placing a dry dock designed by Professor Maney at this site and in other promotions including the development of manganese and tin in Texas. Cockburn was primarily interested in developing his water

front property and Whitson in promoting Professor Maney's designs for barges and dry docks.

Even the McCloskey Company has lost interest in their barge contract at this shipyard according to M. H. McCloskey, III, because no profit over the stipulated fee can now be obtained and because they prefer their own design which they are constructing in Tampa. After completing the four barges now on the ways McCloskey and Company hope to have the contract amended so that they can construct barges based on their own design. It is understood that this design involves extensive use of prefabrication and the vacuum concrete process to shorten the time required for the concrete to set. The introduction of this design to this yard will require further extensive alterations in the existing facilities.

Part of the inducement extended to McCloskey when he assumed the San Jacinto Shipbuilders contract was a grant of additional facility funds. The Maritime Commission hull inspector at the shipyard stated that with existing and contemplated facilities this shipyard would be the best equipped one on the Gulf coast. Numerous additions and changes and facilities have been and will be made. For example, even though an adequate privately owned concrete batch plant had been constructed about one-half mile from the ways, the McCloskey Company has erected at the expense of the Maritime Commission a completely new expensive and elaborate duplicate of this plant and its equipment. The hoisting towers and booms erected by the original contractors and recently condemned by the insurance company are to be replaced by gantry cranes.

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Aside from the dissatisfaction and lowering of employee morale created by the appointment of M. H. McCloskey, III, project manager, at this shipyard costly and time consuming mistakes have been made by the new operator. Test panels to determine the best manner of pouring concrete in the hulls were started in August 1942. By November a method of pouring designing to achieve the most favorable results had been found. However, the superintendent of the McCloskey Company disregarded the knowledge and experience gained in pouring the test panels. When the first pour was made on November 12 and the product of this operation has been described as a sieve. After this pour the Maritime Commission hull inspector reported: "The contractors organization which has done such a splendid job with a high degree of accuracy in the steel placing and in form construction, did not, at any time during the pouring, display ability which will justify their doing any more concreting in the hulls until improvement in their organization and supervision is convincingly assured."

Repairs necessitated by the poor manner in which this pour was accomplished were still in progress on March 15, four months after the pour. Some idea of the quality of this work can be gained from the fact that it required 19 cubic yards of concrete to repair only one of the numerous hulls in the bottom of the barge. It is understood that the Maritime Commission hull inspectors are compiling a record showing the labor and material used in correcting this pour and it is recommended that the Maritime Commission recover the cost of this work. In accordance with the terms of Article 15-B

of the contract which provides: "In determining the cost for the purposes of Article 14 hereof, the Commission will exclude therefrom (2) the cost of remedying and replacing materials which are defective because of the failure of the contractor to use reasonable diligence..."

Committee investigators were told by the Maritime Commission hull inspector that "after the first pour of concrete each of the succeeding pours has been an improvement over the preceding one. The second pour was 300 per cent better than the first, the third pour was fair, and the fourth pour was good."

Under McCloskey management employment at the yard has increased from approximately 700 to 1400. The increase in high salaried employees has been even more marked. In a report to a representative of the General Accounting Office, the Maritime Commission auditor stated that "The staggering part of this question is the one of high salaries given men necessary for this size job." The original contractors employed about 15 persons who were receiving over \$3000 per year, but the present management has over 50 employees in this salary group. In order to substantially increase the salaries of certain employees, the contractor has transferred them from a weekly pay basis to a monthly pay basis or vice-versa. For example, one carpenter receiving \$1.17 per hour was promoted to assistant general superintendent and placed on the monthly pay roll at a salary of \$550 per month.

As previously mentioned the Pfeiffer Electric Company performed the necessary electrical work at the project as a subcontractor under the original management. Mr. Pfeiffer stated that at no time was it necessary to employ more than four men to perform this work.

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The McCloskey Company is doing all of the electrical work now through its own electrical department which has a staff of approximately 20 employees. Mr. Pfeiffer stated that they have practically nothing to do because the electrical department is so over-staffed. This may be true in other departments because the McCloskey Company is performing all the work except dredging and pile driving which they have sub-contracted to others.

The construction program has improved slightly under McCloskey management but they will be at least six or eight months late in delivering the first five barges. The adjusted delivery dates computed when they assumed the contract provided for completion of the five barges by January 1, 1943 (the original delivery dates had provided for completion of these barges by September 2, 1942). However, as of February 27, 1943, the Maritime Commission records show the barges were in the following state of partial completion:

| Barges | Per cent of barge actually completed | Per cent of comple- tion considering plans, materials received and materials erected |
|--------|---|---|
| 1 | 30 | 63.87 |
| 2 | 39.50 | 68.66 |
| 3 | 35 | 67 |
| 4 | 36.74 | 65.73 |
| 5 | 00 | 35.49 |

The original contract for five barges provided for a unit cost per barge of \$568,733 and a total cost of \$2,921,220 including launching and delivery fees of \$77,550. On February 3, 1943, McCloskey and Company estimated they would require \$4,308,577 additional to complete these barges, making a total cost of \$7,229,797. At that time \$900,592 had been expended on hull No. 2 and the contractor estimated it would require \$385,293 or a total of \$1,285,885 to complete this

hull - more than twice the original contract price. The supplemental contract for 15 additional barges provided for a total contract price of \$10,395,000. But these barges based upon the present estimated cost of the first five barges will cost \$21,689,391 or a grand total of \$28,919,188 for the 20 barges.

By February 17, 1943, \$1,395,481 had been spent on facilities and a further allotment of \$1,244,695 had been approved. For this \$2,640,176, the Maritime Commission will receive a four way shipyard. In this connection, the MacEvoy Shipbuilding Corporation is constructing four ways at Savannah, Georgia, at a revised cost of \$1,100,000.

The 20 barges to be constructed by the San Jacinto Shipbuilders will not be self-propelled. The estimated cost of 10 tugs which will be required to tow these barges is \$1,100,000 each or a total of \$11,000,000.

Based on the above figures, the present estimated cost to the Government to obtain and place these 20 barges in service is:

| | |
|----------------|-------------------|
| First 5 barges | \$ 7,229,797 |
| Next 15 barges | 21,689,391 |
| Facilities | 2,640,176 |
| 10 Tug boats | <u>11,000,000</u> |
| TOTAL | \$42,559,364 |

When this amount has been expended the Maritime Commission will have secured a barge cargo carrying capacity of 90,000 tons, or a cost per ton cargo carrying capacity of approximately \$472. Similar costs for Liberty ships vary from \$317 to \$507 depending on the yard.

It was originally contemplated that reinforced concrete

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barges could be constructed cheaply and rapidly; that unskilled and building construction labor rather than shipyard labor could be used and that available low grade steel could be used. The program has actually been appalling^{ly} expensive and extremely slow. Changes in designs, materials and incorporation of steel prefabrication methods have made it necessary to obtain more and more experienced welders in competition with the shipyards constructing steel vessels and to obtain increasingly large quantities of high grade steel. When the concrete barge program is completed, the U. S. Government will have paid about a quarter of a billion dollars for a type of vessel concerning which Admiral Land, Chairman of the Maritime Commission has stated: "I am not an enthusiast about concrete ship construction, I never have been, and I am too old ever to be in my life time ... I just don't like concrete." He explained to the Committee that he had consented to the concrete ship program only because it was intended to provide insurance in the form of additional transportation facilities.

Twenty months after the negotiation of this program in August 1941 no part of the insurance contemplated has been furnished and the cost in critical materials as well as labor and money has more than doubled.